

Vote Record

Assembly - Committee on Agriculture

Date: 4/26/01Bill Number: AB 237Moved by: AINSWORTHSeconded by: HAHNMotion: PASSAGE AS AMENDED

<u>Committee Member</u>	<u>Aye</u>	<u>No</u>	<u>Absent</u>	<u>Not Voting</u>
Rep. Alvin Ott, Chair	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rep. Eugene Hahn	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rep. John Ainsworth	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rep. Joan Wade	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rep. Jerry Petrowski	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rep. Scott Suder	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rep. Steve Kestell	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rep. Gabe Loeffelholz	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rep. Garey Bies	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rep. Joe Plouff	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rep. Marty Reynolds	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rep. John Steinbrink	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rep. Barbara Gronemus	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rep. Julie Lassa	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rep. Marlin Schneider	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rep. Mary Hubler	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Totals:	<u>15</u>	<u> </u>	<u> </u>	<u>1</u>

☒ Motion Carried☐ Motion Failed

Vote Record

Assembly - Committee on Agriculture

Date: 4/26/01

Bill Number: AB 237

Moved by: Rep. Suder Seconded by: Rep. Reynolds

Motion: ADOPTION OF A/S AMDT 1 (LAB a 0473/2) by Rep. Suder
to AB 237

<u>Committee Member</u>	<u>Aye</u>	<u>No</u>	<u>Absent</u>	<u>Not Voting</u>
Rep. Alvin Ott, Chair	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rep. Eugene Hahn	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rep. John Ainsworth	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rep. Joan Wade	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rep. Jerry Petrowski	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rep. Scott Suder	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rep. Steve Kestell	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rep. Gabe Loeffelholz	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rep. Garey Bies	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rep. Joe Plouff	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rep. Marty Reynolds	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rep. John Steinbrink	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rep. Barbara Gronemus	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rep. Julie Lassa	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rep. Marlin Schneider	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rep. Mary Hubler	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Totals:	<u>8</u>	<u>7</u>	<u> </u>	<u>1</u>

☒ Motion Carried

☐ Motion Failed

Vote Record

Assembly - Committee on Agriculture

Date: 4/26/01
 Moved by: Ott Seconded by: Hahn
 Clearinghouse Rule: _____
 Appointment: _____
 Other: _____

AB: 237 SB: _____
 AJR: _____ SJR: _____
 AR: _____ SR: _____

A/S Amdt: 1 (LOB 00473/2)
 A/S Amdt: _____ to A/S Amdt: _____
 A/S Sub Amdt: _____
 A/S Amdt: _____ to A/S Sub Amdt: _____
 A/S Amdt: _____ to A/S Sub Amdt: _____

Be recommended for:

- ☐ Passage
☒ Introduction
☐ Adoption
☐ Rejection

- ☐ Indefinite Postponement
☐ Tabling
☐ Concurrence
☐ Nonconcurrence
☐ Confirmation

Committee Member

	<u>Aye</u>	<u>No</u>	<u>Absent</u>	<u>Not Voting</u>
Rep. Alvin Ott, Chair	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rep. Eugene Hahn	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rep. John Ainsworth	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rep. Joan Wade	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rep. Jerry Petrowski	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rep. Scott Suder	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rep. Steve Kestell	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rep. Gabe Loeffelholz	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rep. Garey Bies	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rep. Joe Plouff	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rep. Marty Reynolds	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rep. John Steinbrink	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rep. Barbara Gronemus	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rep. Julie Lassa	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rep. Marlin Schneider	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rep. Mary Hubler	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

Totals: 15 1 1 1

☒ Motion Carried

☐ Motion Failed

Fiscal Estimate - 2001 Session

☐ Original ☒ Updated ☐ Corrected ☐ Supplemental

LRB Number 01-1742/1		Introduction Number AB-237	
Subject Modify ethonal subsidy program			
Fiscal Effect			
State:			
<input type="checkbox"/> No State Fiscal Effect			
<input type="checkbox"/> Indeterminate			
<input checked="" type="checkbox"/> Increase Existing Appropriations		<input type="checkbox"/> Increase Existing Revenues	
<input type="checkbox"/> Decrease Existing Appropriations		<input type="checkbox"/> Decrease Existing Revenues	
<input type="checkbox"/> Create New Appropriations		<input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget	
		<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
		<input type="checkbox"/> Decrease Costs	
Local:			
<input type="checkbox"/> No Local Government Costs			
<input type="checkbox"/> Indeterminate			
1. <input type="checkbox"/> Increase Costs		3. <input type="checkbox"/> Increase Revenue	
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory		<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	
2. <input type="checkbox"/> Decrease Costs		4. <input type="checkbox"/> Decrease Revenue	
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory		<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	
5. Types of Local Government Units Affected			
<input type="checkbox"/> Towns		<input type="checkbox"/> Village	
<input type="checkbox"/> Counties		<input type="checkbox"/> Others	
<input type="checkbox"/> School Districts		<input type="checkbox"/> WTCS Districts	
Fund Sources Affected		Affected Ch. 20 Appropriations	
<input checked="" type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS		20.115(1)(d) for Aids, 20.115(1)(a) for admin.	
Agency/Prepared By		Authorized Signature	
DATCP/ Don Akamatsu (608) 224-4747		Barb Knapp (608) 224-4746	
		Date	
		04/23/2001	

Fiscal Estimate Narratives

DATCP 04/24/2001

LRB Number 01-1742/1	Introduction Number AB-237	Estimate Type Updated
Subject Modify ethonal subsidy program		

Assumptions Used in Arriving at Fiscal Estimate

This bill would make the appropriation for aids payments to ethanol producers a sum sufficient appropriation, in effect increasing the appropriation.

The bill also limits the amount of aids payments to any ethanol producer, to 20 cents per gallon for up to 15 million gallons within 12 months, or a maximum of \$3 million.

Administration of this program, either with or without the changes presented in this bill, involves some minor costs to DATCP. DATCP staff may need to audit the applications for truthfulness and accuracy, but the time commitment for each individual ethanol producer should be small enough to absorb into the department's general duties.

Under current law, DATCP expects that initially a limited number of ethanol producers will take advantage of this program. However, if this bill is enacted, it may induce additional investment in the ethanol production industry. In turn, DATCP would have to commit additional time to this program.

Long-Range Fiscal Implications

Potential ethanol plants are in Monroe, Elba, Stanley, La Crosse, Oshkosh, and Menomonie.

At this time, the expectation is for the following:

In 2002, 1 plant at \$3,000,000.

In 2003, an additional 2 to 4 plants at an additional \$6,000,000 to \$12,000,000.

In 2004, 1 additional plant at \$3,000,000.

Total -- 6 plants at \$18,000,000.

The costs shown in the fiscal estimate worksheet are the maximum annual Aids and state operations costs during the next biennium. Total Aids paid after all the plants listed above have gone into production is estimated at \$18,000,000.

Fiscal Estimate Worksheet - 2001 Session

Detailed Estimate of Annual Fiscal Effect

☐ Original
 ☒ Updated
 ☐ Corrected
 ☐ Supplemental

LRB Number 01-1742/1		Introduction Number AB-237	
Subject			
Modify ethonal subsidy program			
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):			
II. Annualized Costs:		Annualized Fiscal Impact on funds from:	
		Increased Costs	Decreased Costs
A. State Costs by Category			
State Operations - Salaries and Fringes	\$1,000		
(FTE Position Changes)			
State Operations - Other Costs			
Local Assistance			
Aids to Individuals or Organizations	12,000,000		
TOTAL State Costs by Category	\$12,001,000	\$	
B. State Costs by Source of Funds			
GPR	12,001,000		
FED			
PRO/PRS			
SEG/SEG-S			
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)			
	Increased Rev	Decreased Rev	
GPR Taxes	\$	\$	
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
TOTAL State Revenues	\$	\$	
NET ANNUALIZED FISCAL IMPACT			
	<u>State</u>	<u>Local</u>	
NET CHANGE IN COSTS	\$12,001,000	\$	
NET CHANGE IN REVENUE	\$	\$	
Agency/Prepared By		Authorized Signature	Date
DATCP/ Don Akamatsu (608) 224-4747		Barb Knapp (608) 224-4746	04/23/2001

Fiscal Estimate - 2001 Session

☐ Original ☒ Updated ☐ Corrected ☐ Supplemental

LRB Number 01-1742/1		Introduction Number AB-237	
Subject Modify ethonal subsidy program			
Fiscal Effect			
State:			
<input type="checkbox"/> No State Fiscal Effect			
<input type="checkbox"/> Indeterminate			
<input checked="" type="checkbox"/> Increase Existing Appropriations		<input type="checkbox"/> Increase Existing Revenues	
<input type="checkbox"/> Decrease Existing Appropriations		<input type="checkbox"/> Decrease Existing Revenues	
<input type="checkbox"/> Create New Appropriations		<input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget	
		<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
		<input type="checkbox"/> Decrease Costs	
Local:			
<input type="checkbox"/> No Local Government Costs			
<input type="checkbox"/> Indeterminate			
1. <input type="checkbox"/> Increase Costs		3. <input type="checkbox"/> Increase Revenue	
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory		<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	
2. <input type="checkbox"/> Decrease Costs		4. <input type="checkbox"/> Decrease Revenue	
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory		<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	
5. Types of Local Government Units Affected			
<input type="checkbox"/> Towns		<input type="checkbox"/> Village	
<input type="checkbox"/> Counties		<input type="checkbox"/> Others	
<input type="checkbox"/> School Districts		<input type="checkbox"/> WTCS Districts	
<input type="checkbox"/> Cities			
Fund Sources Affected			
<input checked="" type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS			
Affected Ch. 20 Appropriations			
20.115(1)(d) for Aids, 20.115(1)(a) for admin.			
Agency/Prepared By		Authorized Signature	
DATCP/ Don Akamatsu (608) 224-4747		Barb Knapp (608) 224-4746	
		Date	
		3/30/01	

Fiscal Estimate Narratives
DATCP 3/30/01

LRB Number 01-1742/1	Introduction Number AB-237	Estimate Type Updated
Subject Modify ethonal subsidy program		

Assumptions Used in Arriving at Fiscal Estimate

This bill would make the appropriation for aids payments to ethanol producers a sum sufficient appropriation, in effect increasing the appropriation.

The bill also limits the amount of aids payments to any ethanol producer, to 20 cents per gallon for up to 15 million gallons within 12 months, or a maximum of \$3 million.

Administration of this program, either with or without the changes presented in this bill, involves some minor costs to DATCP. DATCP staff may need to audit the applications for truthfulness and accuracy, but the time commitment for each individual ethanol producer should be small enough to absorb into the department's general duties.

Under current law, DATCP expects that initially a limited number of ethanol producers will take advantage of this program. However, if this bill is enacted, it may induce additional investment in the ethanol production industry. In turn, DATCP would have to commit additional time to this program.

Long-Range Fiscal Implications

Potential ethanol plants are in Monroe, Elba, Stanley, La Crosse, Oshkosh, and Menomonie.

At this time, the expectation is for the following:

In 2002, one plant would begin production, with payments of \$3,000,000 in 2003.
In 2003, two plants would begin production, with payments of \$6,000,000 in 2004.
In 2004, three plants would begin production, with payments of \$9,000,000 in 2005.

The assumption is that the Aids payments would be paid after one year of production.

The costs shown in the fiscal estimate worksheet are the annual Aids and state operations costs for the next biennium. Total aids paid after all the plants listed above have gone into production is estimated at \$18,000,000. This is based on one year of payments per plant.

Fiscal Estimate Worksheet - 2001 Session

Detailed Estimate of Annual Fiscal Effect



Original



Updated



Corrected



Supplemental

LRB Number 01-1742/1		Introduction Number AB-237	
Subject Modify ethonal subsidy program			
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):			
II. Annualized Costs:		Annualized Fiscal Impact on funds from:	
		Increased Costs	Decreased Costs
A. State Costs by Category			
State Operations - Salaries and Fringes	\$1,000		
(FTE Position Changes)			
State Operations - Other Costs			
Local Assistance			
Aids to Individuals or Organizations	3,000,000		
TOTAL State Costs by Category	\$3,001,000	\$	
B. State Costs by Source of Funds			
GPR	3,001,000		
FED			
PRO/PRS			
SEG/SEG-S			
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, ets.)			
	Increased Rev	Decreased Rev	
GPR Taxes	\$	\$	
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
TOTAL State Revenues	\$	\$	
NET ANNUALIZED FISCAL IMPACT			
	<u>State</u>	<u>Local</u>	
NET CHANGE IN COSTS	\$3,001,000	\$	
NET CHANGE IN REVENUE	\$	\$	
Agency/Prepared By			
DATCP/ Don Akamatsu (608) 224-4747		Authorized Signature	
		Barb Knapp (608) 224-4746	
		Date	
		3/30/01	

Fiscal Estimate - 2001 Session

☒ Original ☐ Updated ☐ Corrected ☐ Supplemental

LRB Number **01-1742/1**

Introduction Number **AB-237**

Subject

Modify ethonal subsidy program

Fiscal Effect

State:

- ☒ No State Fiscal Effect
☐ Indeterminate
 ☒ Increase Existing Appropriations ☐ Increase Existing Revenues ☒ Increase Costs - May be possible to absorb within agency's budget
 ☐ Decrease Existing Appropriations ☐ Decrease Existing Revenues ☒ Yes ☐ No
 ☐ Create New Appropriations ☐ Decrease Costs

Local:

- ☐ No Local Government Costs
☐ Indeterminate
1. ☐ Increase Costs 3. ☐ Increase Revenue 5. Types of Local Government Units Affected
 ☐ Permissive ☐ Mandatory ☐ Permissive ☐ Mandatory ☐ Towns ☐ Village ☐ Cities
2. ☐ Decrease Costs 4. ☐ Decrease Revenue ☐ Counties ☐ Others
 ☐ Permissive ☐ Mandatory ☐ Permissive ☐ Mandatory ☐ School Districts ☐ WTCS Districts

Fund Sources Affected

☒ GPR ☐ FED ☐ PRO ☐ PRS ☐ SEG ☐ SEGS

Affected Ch. 20 Appropriations

20.115(1)(d) for Aids, 20.115(1)(a) for admin.

Agency/Prepared By

DATCP/ Barb Knapp (608) 224-4746

Authorized Signature

Barb Knapp (608) 224-4746

Date

3/28/01

Fiscal Estimate Narratives
DATCP 3/29/01

LRB Number 01-1742/1	Introduction Number AB-237	Estimate Type Original
Subject Modify ethonal subsidy program		

Assumptions Used in Arriving at Fiscal Estimate

This bill would make the appropriation for aids payments to ethanol producers a sum sufficient appropriation, in effect increasing the appropriation.

Administration of this program, either with or without the changes presented in this bill, involves some minor costs to DATCP. DATCP staff may need to audit the applications for truthfulness and accuracy, but the time commitment for each individual ethanol producer should be small enough to absorb into the department's general duties.

Under current law, DATCP expects that initially a limited number of ethanol producers will take advantage of this program. However, if this bill is enacted, it may induce additional investment in the ethanol production industry. In turn, DATCP would have to commit additional time to this program.

Long-Range Fiscal Implications

Potential ethanol plants are in Monroe, Elba, Stanley, La Crosse, Oshkosh, and Menomonie.

At this time, the expectation is for the following:

In 2002, one plant would begin production, with payments of \$8,000,000 in 2003.

In 2003, two plants would begin production, with payments of \$11,000,000 in 2004.

In 2004, three plants would begin production, with payments of \$10,000,000 in 2005.

The assumption is that the Aids payments would be paid after one year of production.

The costs shown in the fiscal estimate worksheet are the annual Aids and state operations costs for the next biennium. Total aids paid after all the plants listed above have gone into production is estimated at \$29,000,000. This is based on one year of payments per plant.

Fiscal Estimate Worksheet - 2001 Session

Detailed Estimate of Annual Fiscal Effect

☒ Original
 ☐ Updated
 ☐ Corrected
 ☐ Supplemental

LRB Number 01-1742/1	Introduction Number AB-237
Subject	
Modify ethonal subsidy program	
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):	
II. Annualized Costs:	Annualized Fiscal Impact on funds from:
	Increased Costs Decreased Costs
A. State Costs by Category	
State Operations - Salaries and Fringes	\$1,000
(FTE Position Changes)	
State Operations - Other Costs	
Local Assistance	
Aids to Individuals or Organizations	8,000,000
TOTAL State Costs by Category	\$8,001,000
B. State Costs by Source of Funds	
GPR	8,001,000
FED	
PRO/PRS	
SEG/SEG-S	
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, ets.)	
	Increased Rev Decreased Rev
GPR Taxes	\$
GPR Earned	
FED	
PRO/PRS	
SEG/SEG-S	
TOTAL State Revenues	\$
NET ANNUALIZED FISCAL IMPACT	
	State Local
NET CHANGE IN COSTS	\$8,001,000
NET CHANGE IN REVENUE	\$
Agency/Prepared By	Authorized Signature
DATCP/ Barb Knapp (608) 224-4746	Barb Knapp (608) 224-4746
	Date
	3/28/01



Renewable Fuels Association
One Massachusetts Avenue, NW
Suite 820
Washington, DC 20001

AB237

202-289-3835
(F) 202-289-7519
<http://www.EthanolRFA.org>
email: info@ethanolrfa.org

Remarks before the
Wisconsin Assembly Committee on Agriculture

by
Mary Giglio
Director, Congressional & Public Affairs
Renewable Fuels Association

Madison, Wisconsin

April 26, 2001

Mr. Chairman and Members of the Committee, I want to thank you for inviting me to participate in today's important hearing regarding the development of an ethanol industry in the State of Wisconsin. An in-state ethanol industry will provide significant economic development in rural communities while reducing the need to import fuel supplies.

I'd like to take the opportunity today to provide a broad overview of the U.S. ethanol industry, including the numerous environmental, energy and agricultural benefits afforded by the production and use of ethanol. I'll also discuss the many opportunities and challenges facing the domestic ethanol industry in the new century.

Background:

The Renewable Fuels Association is the national trade association for the U.S. ethanol industry, located in Washington, D.C. Our membership includes ethanol producers and industry suppliers, gasoline marketers, agricultural organizations and state agencies dedicated to the continued expansion and promotion of fuel ethanol.

Today's domestic ethanol industry consists of 62 production facilities located in 20 states with an annual production capacity of more than 2 billion gallons. Last year the industry achieved a production record of 1.63 billion gallons, and in 2001 continues to break production records each month. As production capacity continues to expand, the industry is on track to produce 2 billion gallons in 2001. The industry continues to set production records each month, and enthusiasm for an expanded industry abounds. Anticipating an increase in demand for ethanol, several new plants and expansions are underway. There are 6 new plants and 34 expansions representing more than 320 million gallons of production slated for completion this year, and another billion

gallons of production scheduled to begin construction within the next two years. Interest among farmers to take ownership of ethanol production facilities to add value to their crop has resulted in a record number of farmer-owned cooperative projects underway.

Ethanol is produced from a variety of feedstocks including corn, grain sorghum, barley, sugar cane, wheat, potatoes, food and beverage wastes such as beer, cheese whey, soft drinks, candy, tea, wine, and fruit juices, forestry and paper wastes, and other biomass. In addition, the ability to produce ethanol from cellulose such as rice straw, corn stover and municipal solid waste will result in the location of ethanol production facilities outside of the traditional "grain" belt, bringing economic development to rural economies across the country.

The expanded production and use of ethanol promotes several laudable public policy objectives, including rural economic development, environmental improvement and energy security.

Economic Benefits:

The processing of grains for ethanol production provides an important value added market for farmers, helping to raise the value of commodities they produce. As the third largest use of corn behind feed and exports, ethanol production utilizes nearly seven percent of the U.S. corn crop, or nearly 650 million bushels of corn. The production of ethanol has sparked new capital investment and economic development in rural communities across America, including here in Indiana. Industry growth offers enormous potential for overall economic growth and additional employment in these smaller communities. The U.S. Department of Agriculture estimates that a 100 million gallon ethanol production facility will create 2,250 local jobs for a single community.

According to a report prepared for the Midwestern Governors' Conference, the economic impact of the demand for ethanol:

- adds \$4.5 billion to farm revenue annually
- boosts total employment by 195,200 jobs
- increases state tax receipts by \$450 million
- improves the U.S. balance of trade by \$2 billion
- results in \$3.6 billion in net savings to the federal Treasury

Air Quality Improvement:

Ethanol, a high-octane, high-value fuel, continues to be one of the best tools we have to fight pollution from vehicles. As an oxygenate (ethanol contains 35% oxygen), ethanol enables a more complete combustion of fuel. The use of ethanol reduces emissions of all the major pollutants regulated by the U.S. Environmental Protection Agency, including carbon monoxide, particulate matter, exhaust volatile organic compounds and hydrocarbons. Ethanol is also an effective tool for reducing air toxics in gasoline, which the EPA classifies as known or probable human carcinogens. It is in this context that ethanol is blended in the ozone non-attainment areas of southeastern Wisconsin as part of the federal reformulated gasoline (RFG) program. The EPA and the Wisconsin Department of Natural Resources credit this program with substantial reductions in toxic vehicle emissions and volatile organic compounds (VOCs), precursors to ozone formation.

As a renewable fuel, ethanol can dramatically reduce greenhouse gas emissions, such as carbon dioxide, a contributor to global warming. A recent report by Argonne National Laboratory concluded ethanol produced from Midwest corn reduces greenhouse gases by 35-46% compared with gasoline, and the number rises with cellulose ethanol production. Ethanol is a safe, biodegradable fuel that does not pose an environmental or public health threat to water or soil, and has been awarded a "clean bill of health" by the California Environmental Policy Council.

Potential Market Growth

Demand for ethanol as an oxygenate, octane enhancer and blending component has never been greater. The need to expand tightly limited fuel supplies, replace the volume lost as MTBE is phased out of gasoline nationwide, and the opportunity to expand the use of ethanol in RFG across the country, notably in California and the Northeast, represent exciting and dramatic growth opportunities for the U.S. ethanol industry.

U.S. Energy Policy:

While the U.S. enjoys the lowest cost energy of anywhere in the world, the recent hike in gasoline prices reminds us how vulnerable we are to the decisions made by a few oil producing countries. Our foreign policy, our defense policy and our economic policy are still largely dictated by our nation's desperate need for oil.

We are as hostage to the whims of OPEC today as we were during the height of the energy crisis in the 1970s that threw our economy into a tailspin 25 years ago. In fact, we are even more dependent now than we were then. In 1973, the United States imported just slightly more than 30% of domestic consumption. Today, we are importing almost twice that amount.

As noted by the American Petroleum Institute recently on its web site, *"We import some 55 percent of our crude oil, meaning that we are at the mercy of foreign oil producing companies."*

We must develop and implement a domestic energy policy that promotes the expanded production and use of domestically produced, sustainable renewable fuels such as ethanol. Without it, we will continue to rely on rogue nations for our insatiable appetite for Middle East oil, and consumers will continue to remain vulnerable to price shocks and exaggerated energy costs.

In the near term, ethanol remains an option to increase liquid fuel supplies and reduce consumer gasoline costs across the country. But we should take far more aggressive steps to formulate a national energy policy that will lead us to energy and economic independence.

Ethanol Can Provide Needed Fuel Supplies:

As noted recently by the National Petrochemical & Refiners Association, "the U.S. is gravitating toward a situation in which demand for refined products is overtaking the capability of traditional supply sources.... With existing refining capacity essentially full, the U.S. will have to find additional sources to cover the incremental demand." Domestic energy sources such as ethanol can provide that incremental supply, help reduce our dependence on imported energy and increase our energy security.

Renewable fuels are critical to U.S. energy policy and will be increasingly important partners with petroleum to assure the continued cost-effective supply of clean-burning fuels. Ethanol-blended gasoline is sold in every state, and particularly in ozone and carbon monoxide non-attainment areas where ethanol is used by refiners as an oxygenate to comply with Clean Air Act requirements. Ethanol's high octane and clean air benefits make it a logical choice for refiners in addressing the production constraints caused by numerous environmental challenges, including low-sulfur gasoline, the phase-out of MTBE and toxic reduction performance standards.

Ethanol can and should be a more consistent partner with domestic oil companies to provide the incremental additional supplies that are obviously needed. This is particularly true when there are unexpected disruptions in production or distribution such as that which occurred last summer here in the Midwest. Again, the domestic ethanol industry is producing at a record pace. This year we will likely shatter all previous production records. We are prepared to meet the challenge for increased fuel supplies -- today. All we need are oil companies willing to supplement their tight supplies of petroleum and provide consumers with a high octane, low cost alternative fuel -- ethanol.

MTBE Phase Out

While the federal reformulated gasoline (RFG) program has been a tremendous success, taking the equivalent of 16 million vehicles off the road each year, the decision by refiners to use MTBE to satisfy the oxygen content requirement in most RFG has had a devastating impact on water quality. The U.S. Geological Survey reports that MTBE has been detected in 27 percent of urban wells nationwide. MTBE has an unpleasant odor and renders water undrinkable. Last year the U.S. EPA recommended phasing out the use of the petroleum-derived chemical. In RFG areas, the problem is more severe. In Wisconsin, consumer backlash to the introduction of MTBE-blended RFG in 1995 resulted in a switch to ethanol blended RFG. As a result, the impact of MTBE contamination in Wisconsin water sources has been minimized.

As testament to the growing congressional interest in resolving the MTBE crisis, numerous bills have been introduced to amend the Clean Air Act and the RFG program to phase-down or eliminate MTBE while preserving a role for ethanol in this important program. We will continue to work with the relevant committees and stakeholders to ensure the air quality benefits of the RFG program are maintained and that there is a meaningful and growing role for the renewable fuels industry.

A recent report prepared by AUS Consultants, Inc. for the Governors' Ethanol Coalition demonstrates that the ethanol industry can quickly double production within two years to meet new demand created by a nationwide phase out of MTBE. According to the report:

- Replacing MTBE with ethanol would increase the demand for ethanol to nearly 3.2 billion gallons per year by 2004;
- The ethanol industry can increase production capacity from 1.5 billion gallons to 3.5 billion gallons per year by 2004 - more than exceeding the greater demand;
- The increased capacity would come from increased utilization of existing plants, expansion of existing facilities, new plants currently under construction, and proposed facilities currently in various stages of development;

- Using ethanol to replace MTBE will prevent an oxygenate supply shortage that could result in increased gasoline prices;
- Expanding ethanol capacity will result in \$1.9 billion in new investment;
- Construction activity and increased commodity demand will add \$11.7 billion to real GDP by 2004 and increase household income by \$2.5 billion; and
- Switching to ethanol will create more than 47,800 new jobs throughout the country.

Highway Impact

The Transportation Equity Act for the 21st Century (TEA-21) authorizes federal highway programs for the six-year period FY 1998-2003. Enacted on June 9, 1998, TEA-21 provides significant new funding for highway programs, highway safety and mass transit. Since federal motor fuel taxes are a primary source of funding for highway programs, the issue has arisen as to what is the revenue impact of ethanol-blended fuels on Federal highway aid to the states. In order to encourage the use of renewable fuels, Congress has provided ethanol-blended fuel with a lower rate of tax than that imposed on gasoline.

Although motor fuel containing ethanol does generate less revenue into the Highway Trust Fund, gasohol sales do not reduce funding for the majority of Highway-aid programs. This is because nine of the eleven major highway apportionments are determined by statutory formulas of which ethanol tax receipts are not a factor. The only two categories where gasohol receipts are a factor the Surface Transportation Program (STP) and the Minimum Guarantee. However, for the STP, all highway user receipts (of which gasohol is only a minor portion) account for only 35% of the funding formula. The other 65% is weighted between lane miles and vehicle miles traveled.

Under TEA-21, Wisconsin has received a record increase of 52.6% in highway funding from the Federal government during the period FY 1998-2003, higher than the national average. Despite the fact that highway user receipts including receipts from gasohol are counted in the STP, Wisconsin has continued to receive increased funding for the STP from FY 1998 through 2001. Under the STP, Wisconsin has received a total of \$1,311,373 from FY 1998-2003. Wisconsin's apportionments for the STP have steadily increased as follows: \$120,161 in FY 1998; \$139,393 in FY 1999; \$151,555 in FY 2000; and \$168,612 in FY 2001.

Under TEA-21, Wisconsin is guaranteed to always receive a minimum of 90.5% of its percentage contributions to the Highway Trust Fund. Under the Minimum Guarantee program, Wisconsin will receive additional highway funding in the amount of \$1,059,099 for the six-year period under TEA-21.

The Renewable Fuels Association is greatly concerned that some states are being penalized with regard to Highway Trust Fund receipts due to ethanol fuel sales. Congress established a federal ethanol program as a means to encourage the development of a domestic, renewable energy industry and to assist American agriculture.

To alleviate this problem, we support changes in the tax code that will direct all revenue from ethanol-blended gasoline that currently goes to deficit reduction into the Highway Trust Fund, and will be working with the Congress this year to address the treatment of gasohol tax receipts under TEA-21. Currently, 5.46 cents of the 13.1 cents gasoline tax on 10% ethanol blended fuel

is diverted from the Highway Account. This diversion is greater than the entire amount of the ethanol tax credit of 5.3 cents. Even if only the 2.5 cents of the ethanol tax incentive currently diverted to the General Fund for deficit reduction purposes were transferred to the Highway Account, this would provide an additional \$355 million for Federal highway programs. We have met with Congressman Petri's office and will continue to work to see that at a minimum, this legislative fix is made.

Conclusion:

Opportunities for expanding ethanol's market penetration in the U.S. fuel market abound, both in existing markets and new market development. Clearly, the ethanol industry is poised to meet new market demand. The industry is on pace to break all previous production records in 2001. The question is will the market be there? If regulatory and marketplace challenges are resolved in ethanol's favor, the answer is undeniably yes. New demand will lead to significant industry growth and expansion into new feedstocks.

It is clear that in the near term ethanol will play an important role as we seek to reduce MTBE water contamination, maintain the air quality benefits of RFG, and assure access to reasonably priced gasoline. For the long term, the United States must develop a more responsible and proactive energy policy, which includes greater use of domestic, renewable fuels such as ethanol.

Thank you.

**WISCONSIN
FARMERS
UNION**

April 26, 2001

The Honorable Tom Sykora
Wisconsin State Assembly
Madison, WI


Dear Tom:

I wish I could be in Madison this morning to testify in support of your bill, AB 237, which would provide state support for the development of ethanol plants in Wisconsin. Unfortunately, all week I have been in Washington, D.C. working on a variety of measures of importance to Wisconsin agricultural producers, including working with the staff of U.S. Rep. Ron Kind to draft a piece of federal legislation to support another form of renewable energy from agricultural waste.

I hope this letter reaches you in time so that you can introduce it into the hearing record. The Wisconsin Farmers Union supports your bill, AB 237, and believes it will do a lot to foster further development of ethanol production in this state. The Wisconsin Farmers Union thinks expanded production of various types of renewable fuels would be beneficial to our state's farmers, the state economy in general and our state's consumers as well. Certainly our experience with the spikes in natural gas prices this winter and the predicted gasoline prices forecast for this summer point to the need for legislation of this type.

Once again, I wish I could be there to testify in person on behalf of the WFU. I hope this letter of support will be useful in advancing the cause of this important bill.

Sincerely yours,


Robert A. Denman
Assistant to the President

AN ETHANOL INCENTIVE PROGRAM FOR THE STATE OF WISCONSIN

The federal government is committed to ethanol production. Bipartisan support from President Clinton to President Bush reflects that the time for ethanol production in Wisconsin is now.

"Ethanol is one product that helps America's farmers and aids in making our air cleaner. I support the current ethanol program and would support its extension beyond the 2007 expiration date. I also believe we should encourage the development of new technologies for cost-effectively producing ethanol, bio-diesel fuels, as well as other products."

President George W. Bush

Prepared by: State Representative Tom Sykora
Bob Sather—Secretary, The Wisconsin Ethanol Producers Association

THE INCENTIVE PROGRAM WISCONSIN NEEDS

The State of Minnesota currently has 14 ethanol plants and Wisconsin has none. The State of Minnesota provides an incentive of \$3 million dollars per plant for up to 10 years.

Ethanol plants are financially high-risk ventures that depend upon income from two volatile commodities: corn and ethanol. Bankers will not provide financing without an assurance of a 10-year incentive commitment similar to that of Minnesota. This is true even with a high equity ratio to the loan. Without a state incentive program similar to that of Minnesota, Wisconsin simply will not produce a significant amount of ethanol.

ECONOMIC BENEFIT TO THE STATE

For every dollar invested in the incentive program, Wisconsin will receive \$18 in return. The total economic benefit to the State would be about \$ 500 million dollars. (Research obtained by studies from the State of Minnesota Department of Agriculture).

Job creation: The six proposed ethanol plants will create an additional 3,874 jobs both directly and indirectly.

A new industry for the state: Wisconsin has no ethanol plants. With an adequately funded program, the state could have six plants producing nearly 150 million gallons of ethanol annually. This will be 150 million fewer gallons that the state will need to import and at the same time it will reduce dependence on foreign oil: *more money stays in Wisconsin.*

Benefit to Farmers: Ethanol plants will increase the price of corn about 30 cents a bushel (USDA estimate) due to greater demand. This will directly put an additional \$120 million dollars in to farmers pockets. Corn is Wisconsin's largest field crop.

Farmers now export 60% of their corn crop at great expense to the farmers. Ethanol plants would vastly reduce the export of corn.

Farmers could be financially advantaged with the byproduct of ethanol, distillers grain. This is a high protein cattle feed, which would be less cost to farmer's competitive similar cattle supplements.

Benefit to the Environment:

As a gasoline additive, it will significantly reduce hydro-carbons and other noxious auto emissions.

Ethanol is biodegradable; if spilled it will not harm water, land or air. The alternative to ethanol is a gasoline blend known as MTBE. MTBE seriously contaminates ground water and will not be allowed to be used in some states.

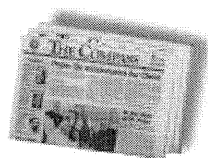
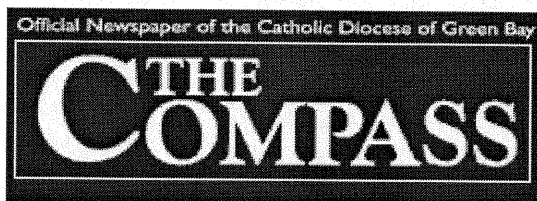
Federal Reimbursement under the Transportation Equity Act-21:

The new federal reimbursement formula to aid Wisconsin highways will be increased by 52% from FY-1998 through FY-2003. The newly created funding categories vastly reduce previous reimbursement penalties for states that use ethanol.

Summary for an Adequate Ethanol Incentive Program for Wisconsin:

Full funding for the producer payment legislation will: enhance rural economy/development, increase the value of corn and create a whole new industry in the State. The incentive program is indeed an investment that will repay many times over the initial cost to the State.

Remember that the State pays nothing until the plants are built, the jobs created, and the ethanol is produced. The proposed expanded State of Wisconsin ethanol incentive legislation is not an expense to the State; it is an investment that will return to the State many times its original investment.



Local News

February 23, 2001 Issue

Parishes, individuals told how to help environment

Bp. Robert Morneau gives keynote address at interfaith climate change conference

By Sarah Malcore
Compass Correspondent

Environmental issues and worship may appear unrelated, but they are connected, said speakers at an interfaith conference on climate change and global warming. The 100 attendees learned what their parishes can do at the Feb. 17 session at the UW-Green Bay Ecumenical Center.

Green Bay Auxiliary Bp. Robert Morneau was the keynote speaker at the conference, which included a discussion of the scientific aspects of what global warming is and why it is happening.

Afternoon sessions looked at what parishes and individuals can do.

Rich Bogovich stressed the need to influence legislators and public opinion. "We Americans are responsible for 25% of the greenhouse gases and we only make up 4% of the Earth's population. That is why it is our responsibility to work toward fixing this problem."

Bogovich of Wisconsin Environmental Decade, said "talks on global warming were scheduled to be completed before the end of the Clinton Administration, but did not happen. Now under the Bush Administration, things will be held up for a few months. This is not necessarily a bad thing because the administration commented that 'they would like to have the time to become familiar with the issues at hand.'"

Eric Mosher, a climate specialist with the Wisconsin Department

of Natural Resources, advocates forming congregation or neighborhood Eco-Teams.

Eco-Teams, Mosher said, "support each other in actions taken to help conserve energy. An Eco-Team does a number of things including helping people realize the effects that our actions have on the environment. It helps bring responsibility back to 'me'.

"The Eco-Team also gives people a chance to work together to learn new tricks on conservation," Mosher said. "In addition to all the positive benefits forming an Eco-Team has to offer, it is a great opportunity to meet new people."

Mike Mangan, coordinator of Wisconsin Interfaith Power & Light and an alternative energy specialist, spoke about becoming an energy stewardship congregation.

"The goal of a being a member of the Wisconsin Interfaith Power & Light is to find ways to save energy and money," Mangan said. "We are 'called into action' to find things we can do at home and in our religious community to reduce energy consumption which will in turn reduce the global climate change."

Mangan hopes to get 50 like-minded parishes to join together. "Once this occurs, each parish will be encouraged to tighten up the buildings and save energy. There is also talk about the potential group to go in together to get a utility wind turbine. The wind turbine will hopefully present a symbolism to other parishes and cause more to participate in using the clean and free resource that God has provided us."

The Rev. Dave Steffenson, coordinator of the Wisconsin Interfaith Climate Change Campaign, said, "Sometimes priests are reluctant to start new programs within a parish for the simple fact that the question of 'who will oversee this' arises, and the pastor often ends up with one more thing on his plate."

But, he remains optimistic and said that reluctance by a pastor is not a reason to give up. "It only takes one enthusiastic individual to get a program like this off the ground, and that one person is the one to make the difference," the Rev. Steffenson said.

[This issue's contents](#) | [Most recent issue's contents](#) | [Past issues index](#)

[Top of Page](#) | [More Menu Items](#) | [Home](#)

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■ **City/Region:** Woman offers to donate land for city park/Page 1B

■ **Sports:** Brewers' core looks solid after changes made/Page 1D

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Details Page 10A.



Monday

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Mount Senario changes direction

College's president placed on leave

By Bob Brown
Leader-Telegram staff

The president of Mount Senario College in Ladysmith has been placed on administrative leave and an acting president has been named by the college's board of trustees.

The board made the decision to release Norman Stewart as college president at a meeting Wednesday, said Dorey Floberg, the college's executive director of advancement.

The board immediately named Charles Holt, the college's vice president for academic affairs, as acting president, Floberg said.

The release of other administrators may be announced today by the board of trustees.

Ralph Bennett, vice president of the board, confirmed the status of the college's administrators will be part of an announcement about the future of the college to be made during two meetings on campus this afternoon.

At 3 p.m. the trustees will meet with the college's faculty and non-teaching staff. They will meet with students at 4 p.m.

Dan Toyen of Chippewa Falls, former chairman of the board of trustees' Finance Committee, today called the release of Stewart "a positive step" for Mount Senario.

Toyen said he resigned from the board of trustees in January after 2½ years of service because of "a philosophical difference with Dr. Stewart."

In November, Mount Senario was placed on probation by the North Central Association of Colleges and Schools for failing to meet accreditation standards for fiscal viability and organization of its resources.

Toyen praised the Board of Trustees for the decisions they will announce this afternoon. "The moves they're making are positive for the future outlook of the college,"

This fuel's gold



Ethanol so Chippewa service sta generally is blended with ular gasoline create a hi octane, che buzzing fuel. Most ethanol also known ethyl alcohol grain alcohol made from
Staff photo by Tom Voth

Subsidies, other factors ignite ethanol surge

Second of four parts
By Eric Lindquist
Leader-Telegram staff

When Henry Ford designed his Model T to run on ethanol in 1908, he proclaimed it the fuel of the future.

It hasn't exactly turned out as the inventor envisioned, but nearly a century later the fuel — now used almost exclusively as a gasoline additive to reduce harmful automobile emissions and improve octane ratings — is on a roll.

While ethanol still accounts for only about 1.2 percent of the 120 billion gallons of gas used annually in the United States, domestic ethanol production is in the midst of a major growth spurt. Production expanded ninefold from 175 million gallons in 1980 to a record 1.6 billion gallons in 2000.

In just the past year, 11 new ethanol plants opened and six existing plants completed major expansions, adding 226 mil-



Ethanol Fueling Hopes

according to the Renewable Fuels Association, a Washington, D.C.-based trade association for ethanol producers.

So what's behind the soaring demand for ethanol, a clear, colorless alcohol that people have been making since ancient times?

The surge resulted from several factors: concerns about the environment; high gas prices; dependency on foreign oil; and recent revelations about ground water contamination by methyl tertiary butyl ether (MTBE), said RFA spokesman Monte

And the momentum doesn't appear to be slowing down, with new plants being proposed in dozens of sites — including Menomonee and Stanley — in the next few years.

tor as a gasoline additive aimed to reduce pollution from automobiles.

The industry also has been helped by the willingness of states to provide millions of dollars in incentives to ethanol producers as a way of propping up struggling grain farmers. Ethanol consumes 6 percent of the nation's corn crop.

With demand at a record high and growing, Shaw brushed aside the suggestion that such rapid growth might lead to a shakeout in the fledgling industry.

"Our industry is more worried about not being able to grow fast enough than we are about growing too fast," he said. "The long-term trends just look overwhelmingly positive for ethanol."

Despite the momentum, the industry has received some criticism, mostly focusing on the smell emanating from the plants, the potential health problems from emissions and the cost to taxpayers of the subsidies.

Editor's Note

The issue of ethanol production is becoming a hot topic in the Chippewa Valley, as well as in other parts of Wisconsin and the Midwest.

The Leader-Telegram today continues a four-day series, taking a look at all facets of the ethanol issue.

Sunday: An overview of ethanol plants in St. Paul and Menomonee and one of its troubles with a plant in Paul.

Today: Ethanol production booming in the United States.

Tuesday: An ethanol plant thrives in a Minnesota town.

Wednesday: Wisconsin prepares to join the rush to ethanol.

Ethanol/Additive's benefits disputed

from Page 1

Government support

The ethanol market is almost entirely a result of state and federal subsidies and regulations, according to an analysis last year by the National Council for Science and the Environment.

The federal ethanol program encourages gasoline marketers and blenders to use ethanol by making them eligible for a reduction of up to 5.3 cents per gallon on the federal excise tax on gasoline, which is 18.3 cents per gallon.

Several states, particularly those in the Corn Belt, also have their own incentive programs. Wisconsin and Minnesota, for instance, offer cash payments of 20 cents per gallon to ethanol plants for a portion of their production.

These tax-funded breaks help make ethanol more competitive with conventional gas, which generally is cheaper to produce.

After being denatured or made unfit for human consumption, ethanol generally is blended at up to 10 percent with gasoline when used for fuel. The mixture sometimes is called gasohol.

But critics have questioned the appropriateness of an industry that is completely dependent on what they call corporate welfare, especially when production is concentrated among a few large producers and the industry is a major contributor to political campaigns. The top 10 companies account for about 82 percent of U.S. ethanol production capacity, the NCSSE report indicated.

Archer Daniels Midland, for instance, is the nation's No. 1 ethanol producer and also one of the largest sources of unrestrained campaign contributions in the national political parties, said Jay Heck, executive director of Common Cause in Wisconsin.

"That sure has the appearance of a quid pro quo," Heck said. "Absent these soft money contributions, I think what you would find is that ethanol and Big Oil would battle it out based on evidence and studies. That's how public policy ought to be decided, not on the basis of political contributions."

Environmental impact

The Clean Air Act requires that ethanol or another so-called oxygenate be mixed with gas in areas such as Chicago and Milwaukee with excessive carbon monoxide or ozone pollution.

Ethanol contains 35 percent oxygen, and the additional oxygen content results in more complete combustion in automobile engines, thus reducing harmful tailpipe emissions, according to the RFA. Overall, the use of grain-based ethanol reduces greenhouse emissions by 15 to 46 percent compared with conventional gasoline.

"Ethanol is the safest component in gasoline today," Shaw said, noting that it is rapidly biodegradable in surface water, ground water and soil.

Still, ethanol's environmental slate isn't unblemished. While the use of ethanol generally improves air quality, it increases the release of other pollutants, according to a study by the U.S. Department of Energy's Argonne National Laboratory.

The research showed fuel



Some ethanol plants, such as this Bion Enterprises facility in Scotland, S.D., capture and sell the carbon dioxide given off in the fermentation stage of ethanol production. State and federal tax subsidies help such plants survive.

Ethanol is getting more recognition as a fuel that can help cities meet clean air requirements without the dangers of MTBE.

— Trevor Guthrie, executive director, American Coalition for Ethanol

"While such vehicles are becoming more widely available, it's still hard for people who would like to use E85 to find the fuel. The Minneapolis-St. Paul area is the national leader in E85, with about 50 of the 200 refueling stations nationwide."

MTBE worries

Ethanol is a distant second among oxygenates in MTBE, despite the baggage carried by the oil industry's preferred additive. Since the federal government in 1995 began requiring oxygenated gasoline in areas with bad smog problems, MTBE has been hit by consumer complaints.

Jim O'Neil, an analyst with the state Energy Division, said he worked a booth at the Wisconsin State Fair that year

claims don't take into account all of the energy consumed to grow the plants used to make ethanol. But a 1996 USDA study reviewed the entire fuel cycle and concluded that ethanol contains 34 percent more energy than is used to produce it.

To promote even greater environmental benefits, many government auto fleets, including Wisconsin's, are required to use flexible fuel vehicles that can operate on an 85 percent ethanol blend called E85, gasoline or any combination of the two in the same tank.

While such vehicles are becoming more widely available, it's still hard for people who would like to use E85 to find the fuel. The Minneapolis-St. Paul area is the national leader in E85, with about 50 of the 200 refueling stations nationwide.

MTBE worries

Ethanol is a distant second among oxygenates in MTBE, despite the baggage carried by the oil industry's preferred additive. Since the federal government in 1995 began requiring oxygenated gasoline in areas with bad smog problems, MTBE has been hit by consumer complaints.

Jim O'Neil, an analyst with the state Energy Division, said he worked a booth at the Wisconsin State Fair that year

and recalled that many consumers complained that the new reformulated gas with MTBE made them feel sick. Enough people complained that state gasoline dealers eventually all switched to ethanol to satisfy the oxygenate requirements.

In addition to these short-term effects from limited MTBE exposure, a 1996 review by The Health Effects Institute, a partnership between the EPA and industry, found that high levels of exposure were toxic to the nervous system and caused cancerous tumors in rats.

MTBE has taken a big hit in recent years as a result of revelations that it contaminates ground water. That discovery prompted several communities and 18 states to start phasing out the substance. Congress also has considered a national ban on MTBE.

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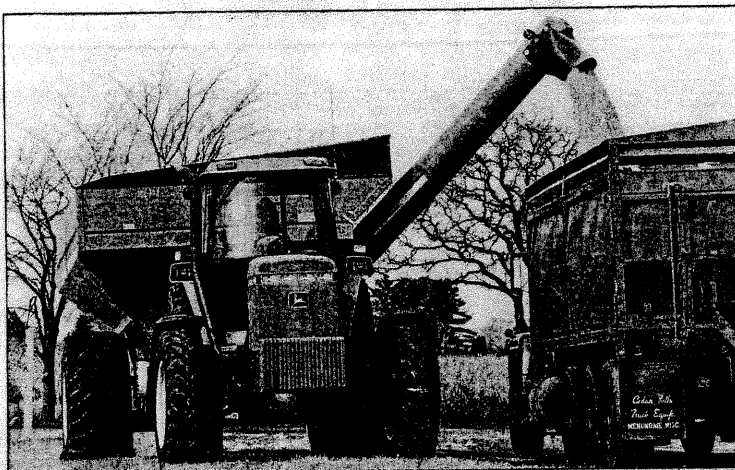
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Chippewa Valley corn growers should reap the benefits of higher corn prices if ethanol plants open next year in Stanley and Menomonie as proposed. Staff photo by Shaw Opitz

Ethanol/Plants create jobs, grain markets

from Page 4A

help cities meet clean air requirements without the dangers of MTBE," said Trevor Goshulder, executive director of the Sioux Falls, S.D.-based American Coalition for Ethanol.

The implications are tremendous for the ethanol industry. "If MTBE is banned nationally, then the ethanol industry could double or triple in size in the next two to three years," Shaw said.

Although the Clinton administration a year ago announced a plan to promote ethanol and reduce or eliminate MTBE, Morris said he believes a national ban is unlikely under a president from oil-rich Texas.

The reason ethanol already hasn't usurped MTBE as the No. 1 oxygenate in gasoline probably has more to do with the interests of oil companies than the interests of consumers, Shaw said.

"Why would they want to displace their product with a product they have to pay for?" he asked, noting that MTBE is a derivative of oil.

As a result of MTBE worries, oil companies are lobbying for the government to replace its oxygenate rule with a performance standard that simply lays out emissions requirements.

"The oil companies don't want to be forced to use ethanol," Morris said. "They don't want to share their profit with an alternative fuel."

Health concerns
While fears about MTBE have been in the news, ethanol also has generated some public health concerns.

The Health Effects Institute concluded that ingesting ethanol at moderate to high levels increases the risk of cancer and affects the nervous system and prenatal development. But it is unlikely those effects would result from the very low exposure levels from inhalation at refueling stations, the group said.

The virtual absence of reports of injury to humans from inhaled ethanol could be because the body rapidly metabolizes ethanol and it's difficult to raise blood alcohol levels through inhalation, according to an RFA-sponsored study by Sarah Armstrong of Cambridge Environmental in Massachusetts.

People show no adverse symptoms when ethanol in the air is below 1,000 parts per million—the federal standard for people who work around the vapors. At higher exposures, the vapor causes eye and upper respiratory tract irritation, fatigue, headache and sleepiness, Armstrong reported.

Problems at the Cooper State Ethanol plant in St. Paul have

attracted much attention. After nine months of public complaints about odor, noise and medical problems, St. Paul sued the plant under the city's public nuisance ordinance in February. Residents blamed a variety of health problems, including nausea, skin and eye irritation, headaches, asthmatic complications and sleep deprivation—on the plant's emissions, according to a report by St. Paul City Attorney Clayton Robinson.

But even in St. Paul, the No. 1 issue has been the odor that comes from drying the distillers grain, a byproduct used as livestock feed.

"That's a very odorous process," said Rhonda Land, a pollution control specialist at the Minnesota Pollution Control Agency. "Most of our ethanol plants have had some complaints about odor from this process."

Building plants in appropriate places is perhaps the best way to limit odor complaints, Land said, acknowledging that in hindsight most people probably would say approving an ethanol plant in a heavily populated area such as St. Paul wasn't "a good idea."

Agricultural boost
As the third-largest use of corn behind feed and exports, ethanol provides a market for more than 600 million bushels of U.S. corn and adds \$4.5 billion in farm revenue annually, according to the RFA.

About 90 percent of domestic ethanol—also known as grain alcohol—is made from corn, the NCSE study showed. Corn is used because it's a relatively cheap source of starch that can be converted to simple sugars, fermented and distilled.

The added demand created by the ethanol market raises the average price of corn by 25 to 30 cents a bushel, according to the U.S. Department of Agriculture. The exact impact depends upon the corn supply and other market factors.

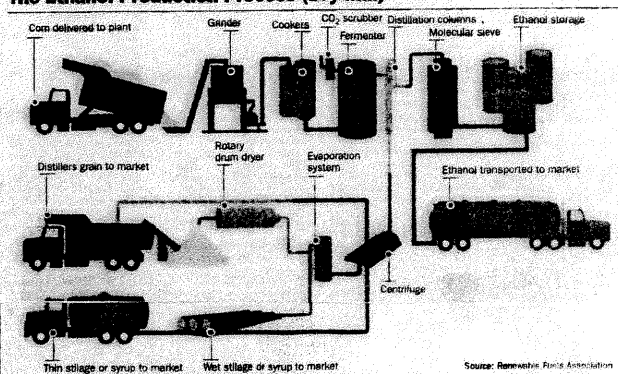
Much of the recent growth in the ethanol industry has come from farmer-owned cooperative plants, although some of the seven plants proposed in Wisconsin have that structure.

In Minnesota, where 12 plants are co-ops, that model has been extremely successful and popular among farmers.

"The whole goal of the co-op movement was to get money back to the farmers, and so far it's working," said Ralph Goshulder, senior marketing specialist with the Minnesota Department of Agriculture. "In general, they're all profitable, and farmers are receiving cash back from their investments."

The co-ops give corn growers a financial stake in the process-

The Ethanol Production Process (Dry Mill)



Source: Renewable Fuels Association

Just the Facts

■ Ethanol production adds 30 cents to the value of a bushel of corn, according to the U.S. Department of Agriculture.

■ Ethanol production is the third-largest use of U.S. corn, using about 7 percent of the corn crop.

■ Ethanol production adds \$4.6 billion to U.S. farm income annually.

■ More than 900,000 farmers are members of ethanol production cooperatives.

■ Farm-owned cooperatives are responsible for 50 percent of new production capacity since 1990.

■ One bushel of corn yields at least 2.5 gallons of ethanol.

■ The U.S. ethanol industry has grown to more than 1.9 billion gallons of production capacity, with plants located in more than 20 states.

Source: Renewable Fuels Association

Staff graphic by Kathy Nelson

ing of their product and thus increase their potential income. The cost of corn typically accounts for 65 percent of an ethanol plant's operating costs, Goshulder said.

"It essentially provides a hedge," Goshulder said. "When prices are high, farmers can make a profit from their corn, and when prices are low, they make more profit from making ethanol."

Farmers have learned it's hard to make a living by selling a basic commodity on the world market and then having to buy back finished goods, Morris said.

"You can't sell corn and buy back bread and Corn Flakes and somehow make it," Morris said.

"You have to sell to higher markets and ideally be able to own part of the manufacturing facility."

A side benefit is that the major byproduct of corn-based ethanol production is distillers feed, a high-protein livestock feed that's particularly popular among dairy farmers. Distillers grain can generate about a third of a plant's income.

Many ethanol plants also capture and sell carbon dioxide generated by the manufacturing process. The gas is used for refrigeration, carbonation in soda and other applications.

The 10 percent of U.S. ethanol production not derived from corn comes mostly from grain sorghum, barley, wheat, cheese whey and potatoes.

While the proposed ethanol plants in Menomonie and Stanley would use corn, the small new plants in Plover and Spring Green use cheese whey, potatoes and other agricultural products.

Economic development
A Midwestern Governors' Conference report showed that ethanol production boosts total employment by 195,000 jobs, improves the U.S. trade balance by \$2 billion and adds more than \$450 million to state-tax receipts.

By the time income taxes, Social Security taxes and a reduction in unemployment benefits are balanced with the subsidies that go to the industry, the federal ethanol program results in a net savings to the U.S. Treasury of \$3.6 billion a year, according to a study by the Kellogg Graduate School of Management at Northwestern University.

On a smaller scale, local communities are looking at ethanol plants as a growing source of sought-after manufacturing jobs.

A typical Minnesota plant with the capacity to make 20 million gallons a year of ethanol likely would employ 25

to 30 workers at an average annual salary of slightly more than \$30,000, Groschen said.

Studies show the plants typically pay workers \$10 to \$15 an hour.

"The economic impact in these small communities has been extraordinary," Groschen said, citing job creation, improved farm income and spinoff business as the major dividends.

Energy security
With the United States importing 54 percent of its petroleum—the highest share ever—and the domestic refining industry operating at full capacity to meet growing demand, supporters see ethanol as a logical home-grown alternative.

They argued that more ethanol usage would reduce U.S. reliance on oil imports, making the country less vulnerable to the type of fuel embargo that occurred in the 1970s.

Last year's record rise in gas prices was attributed in part to a broken pipeline and a refinery fire.

"That shows how tight the refining and distribution network is and how any hiccup can have an enormous impact on the pocketbooks of consumers," Shaw said.

A relatively easy solution, he said, would be to make all gasoline 10 percent ethanol, a move that immediately would expand the volume of the domestic fuel market by 10 percent and help reduce the nation's dependence on foreign oil.

"You would have seen \$3-a-gallon gas if ethanol had been taken out of the equation in the Midwest last year," Shaw said.

Concerns about a potential repeat of last summer, when pump prices in parts of Wisconsin and Illinois were as much as 65 cents a gallon higher than the national average, prompted the federal government to loosen its standards for reformulated gasoline.

The Environmental Protection Agency last week unveiled plans to give refiners more flexibility in meeting pollution standards, essentially by relaxing the restrictions on volatile organic compounds in exchange for giving ethanol credit for reducing carbon monoxide emissions.

The change is seen as a boost for the ethanol industry because it would make it cheaper for refiners to blend gas with ethanol and easier for areas to switch from MTBE to ethanol.

Engine performance
When ethanol first became widely available after the energy crisis of the late 1970s, it caused engine troubles for some cars—a problem that created a negative perception that lingers among some consumers.

The Minnesota Department of Agriculture tackled that image problem head-on by setting up a hotline for consumer complaints when the state launched its ethanol incentive program in the 1990s. Even in the early days, department investigators found that ethanol rarely was the cause of the cited problems, and now the hotline receives only about one call every two or three weeks, Groschen said.

Ethanol-related engine problems are almost nonexistent today because automakers have made design changes, to make automobiles compatible with ethanol, the RFA indicated. In fact, the high-octane fuel is capable of cleaning fuel injection systems, protecting against gas-line freeze-up and reducing pre-ignition and dieseling.

The association reported that today every vehicle and nearly all small-engine motors marketed in the United States are approved for using gasoline blended with up to 10 percent ethanol.

Unleaded can be blended at 83.3-92.9, (800) 226-7077 or eric.indiquist@erpc.com

Senators close on campaign spending rules

By Jim Abrams
Associated Press

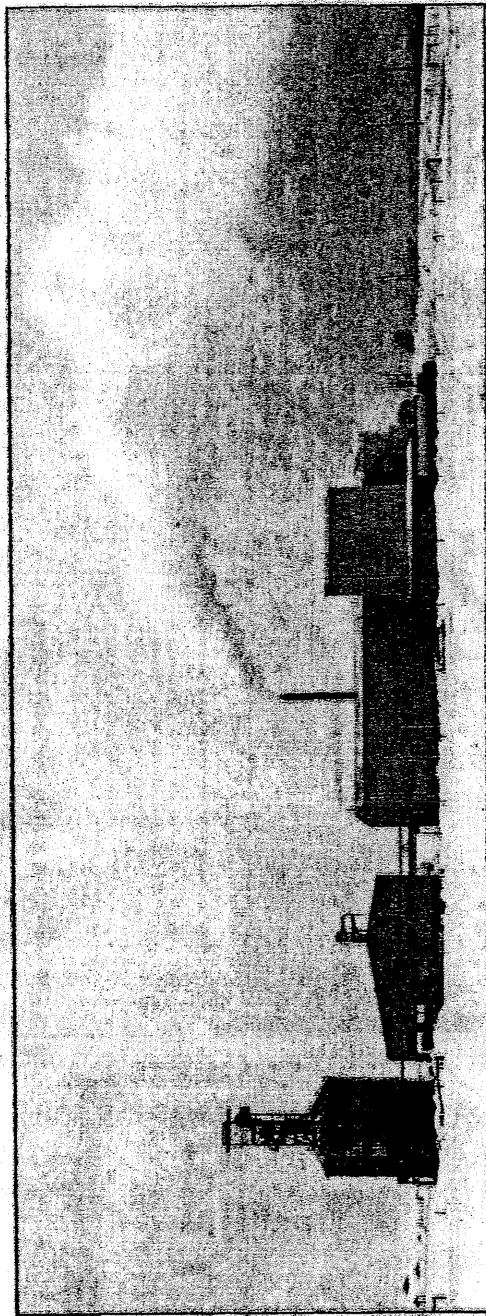
WASHINGTON — The Senate took its first step toward revising campaign spending rules, nearing approval of a proposal to help candidates compete against rich, self-financing opponents.

Senators said today that in overnight negotiations they had worked out a complex three-stage formula for raising and eliminating the current \$1,000 cap on contributions individuals can make to candidates facing wealthy foes.

"We have come down to two categories of candidates in America, the M&M categories — the multimillionaires and the mere mortals," said Sen. Dick Durbin, D-Ill., sponsor of the measure with

See SPENDING, Page 2A

Reaping the benefits



Staff photo by Tara Watters

The Pro-Corn ethanol plant near Preston, Minn., opened in the fall of 1998. The plant produces 20 million gallons of ethanol a year.

Minnesota plant good for city, business, many say

Third of four parts

By Eric Withelm
Leader-Telegram staff

PRESTON, Minn. — Jim Simonson was driving home from a winter vacation in Florida when he felt his car's engine gasp. He pulled over at a southern Wisconsin truck stop in frigid temperatures to buy a fuel filter. But an employee there offered him a bottle of ethanol instead.

Simonson had no idea if it would help, but the man promised the additive to his gasoline would solve his problems. So he gave it a shot.

After pouring the alcohol into the fuel tank and filling it with gasoline, Simonson fired up his car and drove off, having no problems the rest of the way.

"That's how I got to be an ethanol man," he says. "I became a 100 percent ethanol boy that day."

Simonson vowed that his hometown of Preston, a city of 1,500 in southern

Ethanol

Fueling Hopes



Minnesota, would have a corn-based fuel ethanol plant some day.

And when that opportunity arose about four years ago, Simonson, then chairman of the Fillmore County Corn

Growers Association, jumped at the chance. He proposed the idea to the other association members, and they embraced it.

Just 2½ years after it opened, managers of the Pro-Corn ethanol plant on the fringes of the city limits already are planning to double its size.

And the once-risky investment is so profitable that stock in the cooperative plant has tripled in value. Plus, investors all have earned back their \$12,500-per-share investment.

"I was confident all the way," said

To read the first two stories in the ethanol series, go to Special Reports at www.leadertelegram.com

Simonson, who is one of 163 farmers who own about 65 percent of the co-op. "I'm just one of those guys who makes up his mind to do something and not give up."

The plant also has been an economic boon for the city, providing 30 good-paying jobs, adding \$20 million to the tax base and offering a year-round, sizable market for corn, Preston Mayor Clarence Quarndt said.

Before the plant was built, the land was a vacant field and city officials were looking for a business to anchor the park.

"We have an industrial park out there now that we wouldn't have had before," Quarndt said. "We talked about putting one in for years and years, but what's the use of having an industrial park if you've got no industry? This here spurred it."

See ETHANOL, Page 6A

Editor's Note

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Sunday: An overview of plans for ethanol plants in Stanley and Menomonie and one family's troubles with a plant in St. Paul.

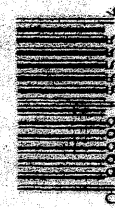
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Index

Business Board	28
Business	2A
City/Region	1B
Classified	9C
Comics/crossword	4C
Entertainment	12C
Food	1C
Horoscopes	11C
Movie listings	12C
Obituaries	2B
Opinions	10A
Sports	1D
TV listings/Ann Landers	5C



Ethanol/Odor irks some, tolerable for other

from Page 1

The city also has a lumber mill and creamery downtown that provide about 30 jobs each, the mayor said, so the ethanol plant ranks among its largest employers.

The ethanol plant sits on high ground about a mile north of downtown Preston. The city is in a valley in the far southeastern part of the state. Mammals driving west on busy Highway 52 can see the smoke billowing from Pro-Corn's tall stack from miles away. On most days, the smoke drifts northeast into nearby farm fields before dissipating.

Thus far, Quanrud said, the plant hasn't prompted any major spinoff business — such as a new restaurant or convenience store — but it has produced subtle benefits for Preston, the county seat of Fillmore County.

Existing stores, such as feed mills, truck repair shops and restaurants, are getting more business. And the ethanol plant's success has prompted other businesses to inquire about setting up shop in the industrial park, Quanrud said.

The park has about 43 acres, with the ethanol plant occupying 17 acres. The city had a power substation and sewer service at the site.

The City Council authorized extending water to the area, but Pro-Corn is being assessed for most of those costs, Quanrud said.

Plus, the ethanol plant has helped increase the price farmers receive for their corn by up to a dime a bushel. These farmers also save on shipping costs because they no longer have to truck corn 50 to 60 miles to the Mississippi River.

Mixed reactions

Most residents in this small city just north of the Iowa border have welcomed the plant. But there are exceptions.

"It's progress, and progress is never nice," Quanrud said. "People always object because it wasn't that way yesterday. People don't like change; that's part of small-town living."

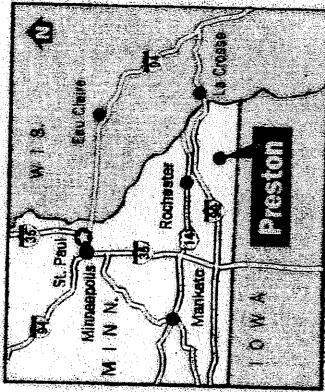
One of the primary complaints, as with any ethanol plant, is the odor of its emissions.

Either you love it or you hate it, Preston residents said, and it largely depends on the sensitivity of the person's nose.

Quanrud, who lives north of the plant where the largest gusts of emissions blow, said it's never bothered him or his neighbors.

Laverne Soland, a carpenter who lives about 3 miles out of town, said emissions from the plant can be smelly, but it's nothing that affects his life.

"If the wind stays the right direction, it does get a bit irritating," Soland said. "But if I had a choice between smelling an ethanol plant or a hog house, I'd choose the ethanol plant any day because it's good for the community."



Staff graphic by Kathy Nelson

of the week."

Residents' descriptions of the smell ranged from burnt popcorn, yeast and baked bread to stale beer.

Many compared it with smells gushing in from large hog operations because several such farms sit outside the city limits, blowing a stench from miles away on warm summer days.

Sue Bischo, whose parents own True Value Hardware store downtown, said the scent doesn't bother her.

"I think it smells like a bakery, but my son just hates it," she said. "It depends on which way the wind blows, and usually it doesn't blow over town too much."

"It's country; it's a small town," Bischo said. "You have smells. That's all there is to it."

Roger Rindels, superintendent at Preston Golf and Country Club, about a half-mile southwest of the ethanol plant, said the emissions sometimes blow over the golf course.

But it's only when the wind is strong from the northeast, he said, which rarely happens. Although some golfers have mentioned it, Rindels said, "it's not that big of a deal."

Steve Bahl, manager of the Branding Iron Supper Club, which sits atop a large hill leading into Preston, said some residents complain about the smell.

"It doesn't really bother me, but I know there are certain people it does," he said.

Bahl said he hasn't heard many complaints from customers because the odor mainly stays outside his restaurant. "I've never really noticed it inside," he said.

His brother, Andy Bahl, who works at Root River Hardware across the street from the ethanol plant, said some of the employees there have complained.

The biggest downside is its smell, Andy Bahl said of the plant, which is directly north of the store. He added that he supports it, though, because it's good for the community.

Good for business

Dave Hanson, manager of Hanson Tire Service, said his business about a half-mile south of the plant also deals with odor.

"We get a minimal amount of smell out of it, but nothing really serious," he said.

No employees have complained about health problems, Hanson said. "You get your days where it's a little bit stronger than others."

But Hanson said he'll put up with a little odor because of the work the plant has generated for the business.

He said the continuous truck traffic in and out of the plant each day has led to a large increase in tire repairs.

"It definitely is a plus for us," Hanson said. His sentiments were common among Preston residents: Supporting agriculture is more important for residents than occasionally having to smell a baked-bread odor.

"It's a benefit to the town," resident Orville Jensen said of the plant. He farms on about 160 acres. "We should have had more of this stuff years back instead of chasing it out of town."

"It's either support this or support the Aztecs," Jensen said, referring to the locally produced gasoline additive as a way to reduce the country's reliance on Middle East oil imports.

Since the ethanol plant has moved to town, business has picked up at True Value. Plant employees buy electrical equipment, hardware, paint, food, greeting cards and other items, Bischo said.

"I think that ethanol plant is a very much-needed business in town," said Art Callahan, "if you don't keep the farmers around and have them making the money, no one's going to."

Farmer Dawson Grabau, who grows about 100 acres of corn, said the revenue for his corn has increased about 10 to 15 cents a bushel.

That is coupled with the savings he gets by not trucking his 10,000 bushels down to barges at the Mississippi River.

"Anybody can sell corn up there, whether they're a shareholder or not," he said.

Grabau, who also is a shareholder in the venture, said he is making money from his investment in the plant.

"I think it's been a very good idea," he said. Grabau also uses distillers grain to feed his cattle. The byproduct is in high demand by farmers throughout the state. Many farmers use the high-protein feed to mix with other feeds because they can get it at less cost.

"There's basically a waiting line," he said.

Growing acceptance

Callahan said the plant's smell isn't its main source of frustration. People are known themselves because they missed an opportunity to invest.

"Renewable fuels are the wave of the future," he said. "Ten years from now there should be a lot of this stuff around. One hundred years from now we're not going to have any oil in the ground."

He said the ethanol plant rarely is discussed anymore during morning chats sessions at Pizzeria, a popular downtown hangout.

"It's here. It's good for the community. I think people have just accepted it," he said.

Resident Bob Luck, an avid bicyclist, said Preston's many bike trails, said he supports ventures that protect the environment.

A few residents said the plant just off Highway 52, a major thoroughfare leading south of the city, is an eyesore. They said its high night add to the city's blighted skyline. The plant runs 24 hours a day, seven days a week, nearly year-round.

But Luck, a lifetime resident, said the plant is impressive at night. "It's like another town," he said. "It's like another town," he said.

Quanrud, the mayor, has heard his complainers' residents about the smell. "Eighty percent of the (driving by) probably don't even know what it is," he said.

"They probably don't care over there."

However, news that it is seeking to double its production from producing 20 million gallons of ethanol a year to 40 million gallons a year has triggered debate from a few residents.

But that's the same group that protested a project in town, he said.

"I think you're going to have people who don't care what it is," Quanrud said.

The plant plans to add an extra 75,000 bushels of corn to its 100,000-bushel stockpile and add a scrubber which will cut emissions immensely. Quanrud said. Plant officials have complied with every city request.

"These people do a heck of a job," he said. "We get that 75 and a scrubber, people will be happy to complain about."

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Staff photo by Tom Whitlock

A major byproduct of the ethanol production process is distillers grain, a high-protein animal feed. A tractor recently loaded a waiting semitrailer truck with distillers grain at the Pro-Corn ethanol plant in Preston, Minn. The plant, which is similar in size to facilities proposed for Menomonie and Stanley, produces about 60,000 tons of the feed a year.

By Eric Whitlock
and Eric Lindquist
Leader-Telegram staff

Paul Smith lives in a rural area near the western edge of the Stanley city limits. He moved there 16 years ago to be secluded and enjoy the country life.

So Smith was concerned when the city announced he would have a huge new neighbor — a fuel ethanol plant consuming 22 acres — just a quarter-mile away.

He knew it would mean semitrailer trucks coming by, more noise and an odor.

But it also would create about 30 good-paying jobs and an economic boost for the area, something that appeals to Smith, a lifelong Stanley resident.

As ethanol production ramps up across the country, communities are wrestling

with the same conundrum: Do the benefits of the plants to farmers, air quality and the economy outweigh the potential negative consequences to local quality of life?

For Smith, his questions were answered recently at a public meeting held by developer Ace Ethanol.

Now he's confident the plant won't harm his way of life and will be a boon for Stanley.

"I believe that they're a responsible group of individuals," Smith said of the developers. "The last thing they want is someone knocking on their door screaming and hollering every day."

"They're very open. They're not trying to hide anything. I believe they want to be good neighbors."

For some residents in Menomonie, where a similar ethanol plant is proposed, the answers haven't been so forthcoming.

Residents said they don't have a position on the plant yet but just want more information, which they say developer Stonic Energy and the city haven't adequately provided.

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quately provided.

"What I'm finding interesting is we haven't heard why it's so wonderful for Menomonie, and that's the bottom line," said Brenda Luitjen, who lives on the city's east side two to three miles from

See **PLANTS**, Page 8A

Ethanol Fueling Hopes



Odor, health concerns force family to flee

By Eric Lindquist
Leader-Telegram staff

WHEELER — When Cindy and John Buchholz heard about the proposed ethanol plant in Menomonie, they couldn't believe their ears.

But it was their noses, eyes, lungs and stomachs they worried about the most.

The family's strong reaction was the result of living in the shadow of the controversial Gopher State Ethanol plant in St. Paul for six months last year. It was a period marked by severe health problems

for Cindy, John and their two sons, Gabriel, 4, and Caleb, 6.

As a result of many complaints about odor, noise and adverse health effects, St. Paul decided in February to sue Gopher State under the city's public nuisance ordinance. The case is pending.

The Buchholzes lived about three blocks away when the smelly downtown ethanol plant opened in May in part of the old Schmidt Brewery complex. By October the family no longer could tolerate the noise, odor and what they believe were harmful emissions, so they sold

their home of five years for about \$15,000 less than its value and escaped to Wisconsin.

"We basically fled the ethanol plant," Cindy said. "I got so sick and tired of being so sick and tired that we couldn't take it anymore."

Then, just as they were getting acclimated to the 32 acres of woodlands they bought in rural Dunn County, they learned of the proposal to build a \$32 million ethanol plant in Menomonie.

See **ODOR**, Page 9A

Plants/Facilities said to be friend of environment

from Page 8A

Mark Bernick, who lives about a quarter-mile from the proposed Stanley plant, said he has no concerns about truck traffic, although most of his worries were alleviated after developers explained the operation. Trucks will be driving in and out of the plant between 7:30 a.m. and about 5 p.m. on weekdays only. About 30 trucks will enter and leave the plant each day, developers estimated.

"I was dreading it would be around the clock," Bernick said. "I'm going to see an increase in traffic, but that's what you get with the growth of a city."

Residents in both cities also raised safety issues, including additional fire protection needed to fight a potential blaze at a plant that produces alcohol.

Stanley Plant Chief Ron Ziss said his employees are undergoing additional training, but he doesn't expect any problems. There never has been an explosion at any ethanol plant in the United States, proponents said. If a blaze started, firefighters would have to travel a burning road rather than water, Ziss said.

"It's really not that much for us to worry about," he said. "I worry more about a tanker full of gasoline on the highway than I do about these plants."

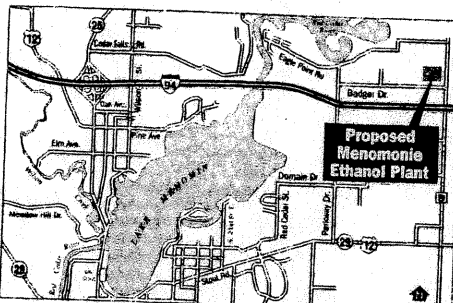
Bernick said the meeting held by Ace Ethanol was positive and helped him gain more trust in the ethanol-making process and developers.

Menomonie residents have requested that State Energy build a similar meeting, which hasn't happened.

"They tell us this is going to be fine, but how can we know if we're wrong?" Lofgren said. "It's not necessarily an opponent of the ethanol plant. I just want to know more."

Menomonie Mayor Dennis Kapp said the city likely wouldn't hold any special meetings on the ethanol plant but was open to the idea of a town hall meeting.

The town of Menomonie won't comment about possible opposition to the plant. That's



Site graphic by Barry Nelson

why a group of Menomonie residents signed a petition in Little Falls, Minn.

"I had been reading the letters to the editor in the St. Paul paper," he said. "I was immediately concerned and needed reassurances that the same thing wouldn't be replicated here."

The 2-year-old Little Falls plant, which is roughly the same size as the facilities planned in Stanley and Menomonie, has been a good overall addition to the community of 7,500 people, said Jerry Lochner, manager of city services.

"We did have some noise and odor concerns at first, but we don't get a lot of complaints now," Lochner said. "It's not that bad, about two miles outside of the former city limits was approved for the plant."

small reminder here of his mother baking bread at home, he acknowledged that some people, especially those who live close to the plant, don't like it. But Lochner said he heard of a health problem from a man attributed to the plant.

The plant is the city's largest water user — consuming 300,000 gallons a day — and a major contributor to the city's wastewater treatment facility.

Lochner said, in part because the plant agreed to purchase all of its wastewater before sending it to the city's municipal treatment facility.

Ace Ethanol has conducted business there for in Stanley. "We haven't had a lot of opposition," he said, "and I think that's a good sign. There's nothing that I've seen that raises red flags."

The plant will provide good jobs, a market for corn and an expanded industrial tax base, which will benefit all residents in the long run.

He credits an aggressive City Council for doing the necessary work to seal the deal.

"As soon as we heard about this, we immediately shifted all of our goals toward providing all of the information (Ace Ethanol) needed to make a decision on Stanley," Jankowski said.

EPA moves to ease gas price concerns

By Katherine M. Stelm

WASHINGTON — Reacting to worries about summer gasoline prices in the Midwest, EPA chief Christine Todd Whitman is poised to relax a pollution standard involving reformulated gasoline.

The change in standards for vehicle engine components that cause smog could come as early as next week and should reduce the cost of making the gas and boost supply. After new, cleaner-burning gas was introduced last spring, prices nationwide increased significantly.

Whitman said relaxing the standard would not compromise air quality, a contention environmentalists immediately challenged.

An official at Citizens for a Better Environment described the proposed change as "crazy." Rob Kennedy, the group's senior transportation policy analyst in Madison, said it represented another backward step by the Bush administration, which this week changed its position on carbon dioxide standards.

Whitman said House members met Tuesday with Whitman.

Reformulated gasoline is used exclusively in Wisconsin and Illinois.

"Let me say Whitman is committed to the problem," said U.S. Rep. E. James Sensenbrenner Jr., R-Menomonie Falls. "I'm not sure the actions that are being proposed to take will solve the problem, but ... the Wisconsin members who were there and the Illinois members made a quiet plan. The bottom line has to be to protect the outrageous price spikes that occurred at Menomonie last year."

The congressional members also met with House speaker Dennis Hastert and Energy Department Secretary Spencer Abraham.

"I'm hoping that the result will be less expensive gasoline this summer," said U.S. Rep. Jerry Kilpatrick, D-Wisconsin.

"Hopefully, we can avert some of the crisis we had last year," U.S. Rep. Paul Ryan, R-Janeville, said he pushed for even more flexibility from the EPA.

"Bottom line, we got three-fourths a loaf," he said. But he was effusive about the new rule from the agency, with its new Republican leadership.

"We had the door slammed in our face last year, and now the door is open to compromise and the agency is more than willing to hear our concerns," he said.

The agency is poised, perhaps as early as next week, to loosen volatile organic compound standards for reformulated gasoline using ethanol. Because ethanol reduces carbon monoxide emissions, this reduction will offset the increase in volatile organic compounds, Whitman said.

Talking about the two pollutants, Don Zinger, the EPA's assistant director of the office of transportation and air quality, said, "These amounts we're talking about are pretty minor, and we think the overall effect on smog will be the same."

At the Clean Air Trust, a Washington-based group that supports the Clean Air Act, Executive Director Frank O'Donnell said he guessed there would be a slight increase in air pollution because of the additional volatile organic compounds.

"I doubt this is a major story," he said. "But I think that people should be made that summer to maintain the air quality to see how it plays out. The ultimate test is how clean the air is."

Some of the ethanol officials also warned suppliers who are able to commingle winter blend reformulated gas and summer blend during the months of between seasons. The aim was to keep inventories high as much as possible.

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Odor/Residents hope oxidizer will control ethanol plant's stench

from Page 1

"We just looked at each other and said, 'You've got to be kidding me. It's following us,'" Cindy said.

During the six months they lived near the St. Paul ethanol plant, the Buchholzes spent so much time in portable ways from the neighborhood to limit their exposure to the fumes.

"We'd leave the house everyday and just drive around, go to work, visit friends — anything to spend less time around that plant," John said.

Still, like many of their neighbors, the Buchholzes said they suffered from many ailments during that period.

■ Cindy, 38, threw up and had migraine headaches almost daily as a result of nausea she attributed to plant odors. Although she never had allergy symptoms before or after living by the ethanol plant, she said she was diagnosed with sinusitis and suffered from eye, ear, nose and throat irritation the whole time.

"It was like having perpetual morning sickness," she said. "My quality of life stunk."

Cindy, who already had a metal rod in her back from a treat a degenerative spinal disease, said she also endured severe chronic pain because of muscle spasms caused by the hours of violent vomiting.

■ John, 44, coped with a release of acid reflux symptoms, shortness of breath, migraines, a chronic cough and nearly constant upper respiratory problems.

■ Gabriel experienced a rash of ear infections and couldn't keep any food down for the first three weeks after the plant opened.

■ Caleb, who complained almost daily about nausea and a sore throat after walking home from kindergarten, was diagnosed with four consecutive cases of strep throat that wouldn't go away despite antibiotic treatment. He also developed attention-deficit disorder symptoms, which have subsided since moving to Dunn County.

And then there was the constant, overpowering stench emanating from the plant.

The people at the plant say it's the nice, sweet, yeasty smell of bread, but it was nothing like that," Cindy said. "Nauseating is what they should say."

John described the air near the plant as smelling like a combination of yeast, rotten eggs and stale beer.

"That's what we smelled 24-7," Cindy said. "It was the worst thing I can imagine. It was like living in a fog and there was no way out of it."

Everything tasted bad — the rotten eggs. You couldn't go out on your deck because it was so debilitating."

While protests sometimes came from much farther away depending on the prevailing wind, people living within a one-mile radius of the plant grumbled all the time, Cindy said.

In extensive testing of the plant's emissions, the Minnesota Pollution Control Agency has found some chemicals of concern but none at levels exceeding federal health standards, said Rhonda Land, a pollution control specialist with the agency.

However, if it's possible for industrial emissions to cause health problems in some people even when pollution is within regulatory limits, Land said.

"It does smell, and people can have physical responses to odor," said Land. "It's not a perfume that might give some people a headache while drawing raves from others."

Land estimated that 90 percent of the people who complain about odor said it makes them feel sick.

Health complaints related to Gopher State Ethanol plant in St. Paul have been the target of so many odor, noise and health complaints since it opened in May that

contacted the real estate firm's law firm in California about the possibility of filing a class-action suit — much like the one actress Julia Roberts pursued in last year's blockbuster movie — against the St. Paul plant. Cindy also complained to the mayor's office.

Although John now must commute 170 miles round-trip nearly every day to his job as a security monitor for the Minneapolis public schools, his family's improved mental and physical health makes it worthwhile, he said.

Betty Moran, community organizer for the neighborhood association representing the area around the plant, said health complaints are severe as those reported by the Buchholzes are the exception. She estimated that about 5 percent of neighborhood residents attribute medical problems to the emissions, while another 20 percent speculate that the plant might be causing their health concerns.

The city recently approved a \$108,000 study by a Duke University medical school professor to determine whether the emissions are related to reported health problems.

The No. 1 complaint by far is the smell.

Moran said, "It's not unusual. It's like standing next to a pile all the time," she said, acknowledging that some people inside the smell doesn't bother them.

Ironically, the only legally operating entity ever sued as a public nuisance in St. Paul history enlisted two complaints when it was proposed as a way to ease the brewery and its 150 jobs, Moran said. The site had been home to a

Consistent photo

St. Paul recently sued the facility under the city's public nuisance ordinance. Nearby residents hope so-called will quell the stench.

Since 1955, no residents were used to so industrial neighbor.

"We didn't know that much about ethanol production and were told it would smell like baking bread," she said. "We were caught by surprise when it started raining."

Gopher State's 210-foot smokestack was supposed to eliminate any potential odor problem by dispersing the fumes far away from any people. But the result is that the smell simply drifts around a wider area, Moran said, adding that complaints about the plant's odor have risen from up to six miles away in Eagan.

In fact, the smell can be worse a mile or more away where the plume drops to ground level than right outside the plant, she said.

"People are just really upset," she said. However, neighborhood residents are hopeful — but skeptical — that the plant's planned installation this year of a \$1.2 million thermal oxidizer will solve most of the problem. A thermal oxidizer is a pollution-control device company officials claim will eliminate 98 percent of the plant's odor.

The St. Paul experience so turned the Buchholzes' impression of ethanol plants that they worry even their current home — about 12 miles south of the proposed Menomonie Industrial Park site for the St. Paul ethanol plant — might be too close to avoid all of the potential ill effects.

"I'm praying there's no impact here," Cindy said. "I think and pray we're far enough away."

Landquist can be reached at 833-9209, (800) 236-7077 or e-mail: landquist@epc.com.



thanks too," Mark Hynek said.

... a full recovery.

... is expected

nee.

See SLAIN, Page 2A

Pumped-up potential

With incentives, corn supply, state plunging into ethanol market

Last of four parts

By Eric Lindquist and Eric Widholm
Leader/Telegram staff

Wisconsin motorists used more than 75 million gallons of ethanol-blended gasoline last year, but not a single drop of ethanol was produced in the state.

Meanwhile, other Midwestern states have seized the opportunity to turn their struggling corn farms into fields of dreams, fueled by the rising demand for grain alcohol to raise the oxygen content of gasoline.

Led by Minnesota, where 13 of the 14 ethanol plants started in the 1990s, the number of production facilities has skyrocketed in the past decade.

Ethanol

Fueling Hopes



Nationwide, ethanol production reached 1.6 billion gallons in 2000, up 78 percent from a decade earlier. Usage in Wisconsin last year was nearly six times the volume in 1994.

It's no mystery why U.S. ethanol plants are concentrated in the nation's breadbasket. That's where the corn is, and corn is the most common core ingredient in ethanol.

Of the 58 ethanol plants nationwide, 38 can be found in the top six corn-producing states: Iowa, Illinois, Nebraska, Minnesota, Indiana and Kansas.

Wisconsin, ranked No. 7 among states with corn production of 408 million bushels in 1999, has been the exception. Until now.

Despite arriving late to the ethanol party, Wisconsin appears poised to dive whole hog into the home-grown fuel market.

With tiny recently opened ethanol plants in Plover and Spring Green and six larger

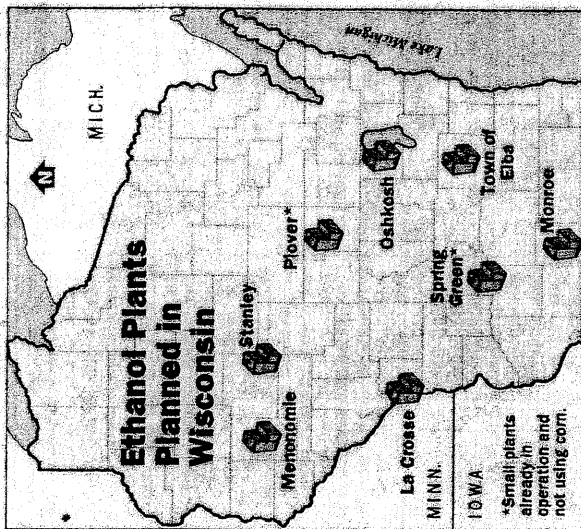
To read the first three stories in the ethanol series, go to Special Reports at www.leadertelegram.com.

ones in the planning stages — including facilities proposed for Menomonie and Stanley — Wisconsin could go from a major importer of ethanol to a net exporter as soon as next year, said Don Wichert, energy resources chief in the state Division of Energy.

Based on developers' projections, the eight plants could have a total production capacity of more than 100 million gallons a year, Wichert said.

State officials don't have a magic number yet as to how many ethanol plants they would like operating in Wisconsin but are pleased with the surging interest, said Joseph Iregoning, deputy secretary of the state Department of Agriculture, Trade and Consumer Protection.

Wisconsin Gov. Scott McCallum has thrown his support behind ethanol. See ETHANOL, Page 5A



Staff graphic by Kathy Nelson

New milk drink hopes to take fizz out of soda sales

Carbonated beverage to come in three flavors

By The Associated Press

ITHACA, N.Y. — A new carbonated, milk-based beverage for sale soon will give children a healthy alternative to soda and may create a new market for struggling dairy farmers, its developers said. e-Moo should be available in supermarkets in the Northeast by June, said Mary Ann Clark, vice president of marketing for Mac Farms of Burlington, Mass., the drink's maker.

"We are giving parents and children an opportunity to buy a healthy product," she said during a special demonstration of the company's bottling system Tuesday. "Everyone knows milk is good for you. But it's not cool to drink milk."

Everyone knows milk is good for you. But it's not cool to drink milk. We're going to make it cool.

— Mary Ann Clark, vice president of marketing

We're going to make it cool."

e-Moo, developed with the help of food scientists at Cornell, is fat-free, contains less than 1 percent of the recommended daily allowance of cholesterol, about half the sodium usually found in flavored milks and has 130 calories in an eight-ounce serving. It is made with crys-

talline fructose, instead of refined sugar and provides protein, calcium, and vitamins A, C and D.

"It is milk," Clark said. "Even though it starts with milk and ends with milk, we have to say it's a beverage because the U.S. Department of Agriculture has a strict definition of milk. The addition of carbon dioxide means we have to call it a beverage."

e-Moo — a drink for children of an innercity — initially will be sold in three flavors: Orange Creamsicle, Bubble Gum and Chocolate Raspberry, which will be marketed as an alternative for adults. In waiting, are Cookies and Cream and Fudge Brownie if e-Moo is successful.

Clark and her husband, George, came up with the idea for e-Moo several years ago after noticing the popularity of sports

drinks and sodas. Although their background was in the pharmaceutical and bottling industries, the Clarks, living in a dairy state, also were aware of the financial problems facing farmers left to sell their milk for cut-rate prices.

Increased milk consumption means increased demand and that translates into promising economic times for dairy farmers. Milk prices in some areas have fallen to their lowest prices in 20 years. Last week, Wisconsin officials reported dairy farm income had dropped \$500 million in a year's period.

e-Moo starts with pasteurized milk then uses about one-third to one-fifth less carbon dioxide than soda, depending on the flavor, Clark said.

"We still wanted that burst of taste that comes with the babbles," she said.

Index

Bulletin Board	28
Business	3A
City/Region	18
Crossword	4C
Crossword	5B
Entertainment	8B
Health	10C
Horoscopes	11C
Movie listings	3C
Obituary	2B
Online	9A
Opinion	10A
Sports	1D
TV listings/Advertisers	8B



1 99899 5555 14

Ethanol/Incentives essential to plants' success

from Page 1

production, including \$3 million in his proposed budget for incentives to producers.

The incentives will encourage investors to build plants in Wisconsin and allow the state to compete with other states that offer ethanol production assistance, he said.

"We must capture some of the job and economic benefits that surrounding states are enjoying with the production of ethanol," McCallum said.

At the national level, U.S. Rep. Ron Kind, D-La Crosse, and President Bush also have expressed support for federal incentives promoting ethanol because of the benefits to farmers and an quality.

"Ethanol is good for the economy because it's produced locally and good for the environment because it reduces greenhouse gases, so it's really a win-win situation for Wisconsin," said David Morris, vice president of the Institute for Local Self-Reliance, a group promoting environmentally sound economic development with offices in Minneapolis and Washington, D.C. "We are excited to see Wisconsin following in the footsteps of Minnesota."

Resistance movement

Not everyone, however, is excited about the prospect of ethanol plants springing up around Wisconsin.

In Dodge County, a group called STEP II (Starch Ethanol Plant) filed a lawsuit in February to halt construction of a plant proposed in the town of Elba. (STEP I was the name of a group that protested non-abandoned plans for a plant in Horicon.) STEP II has obtained more than 400 signatures on a petition opposing the project in Elba, which has a population of about 950 people.

Deb Schilling, a spokeswoman for STEP II, said the group is concerned about odor, truck traffic, health and environmental ramifications and the potential impact on local ground water levels.

Members have toured ethanol plants in Minnesota and talked to neighbors who had odor complaints and well problems they attributed to the plant, Schilling said.

"If you start pumping 200 million gallons of water a year, there is going to be some impact on our water table," she said. "And I've gone downwind from some of these plants, and it smells horrible."

Even though the proposed site is fairly rural, more than 50 homes would be within a mile of the plant, said Schilling, whose farm is about three-quarters of a mile away.

"I'm not against ethanol. It needs to go into an industrial park," she said. "We've worried about our quality of life."

The opposition is disappointing to Elba Town Chairman Russ Farr, who sees the project as an economic development coup for the region and a boon for farmers.

"We're one of the biggest dairy counties in the United States, and here we've got something that will help the farmers stay in business and make them healthy. It's sad," Farr said.

Industry incentives

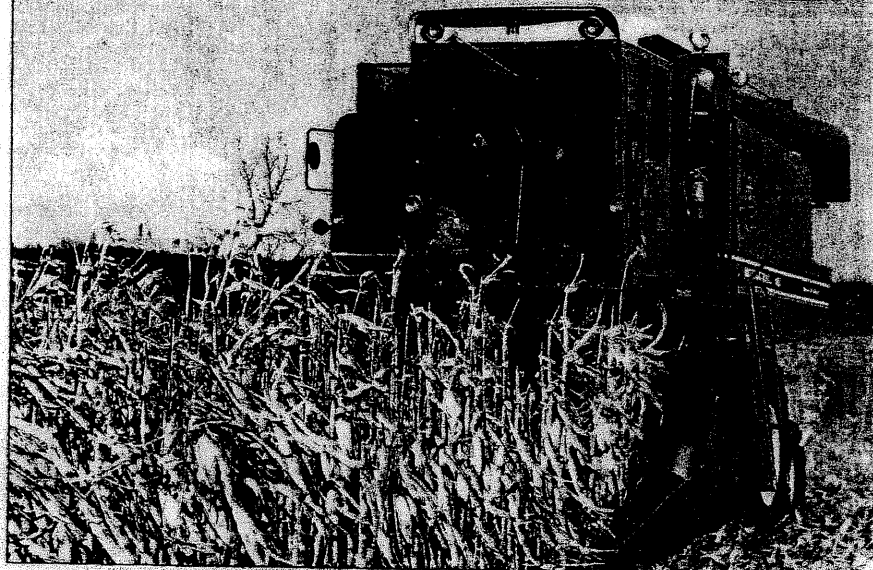
Just because Wisconsin doesn't have any large ethanol plants yet doesn't mean the state hasn't been trying, said Trengstad, of the state agriculture department.

Wisconsin officials have had offers to construct ethanol plants since as far back as the 1980s, he said, but the state never was able to finalize any deals.

"We talked about it and we talked about it, but we just weren't able to put the financing together or whatever," Trengstad said. "We've chased ethanol plants only to see them go someplace else."

Perhaps the biggest reason Wisconsin has been slow to get into ethanol production is that the industry remains dependent on tax breaks—something the state until recently had been hesitant to offer.

"We've been slower to promote specialized rebates and subsidies than some other states. It's been more a free-market approach here."



A farmer harvests corn in Eau Claire County in 1996.

Staff file photo

The Minnesota Model

The History

In 1980 Minnesota initiated a pump tax credit for every gallon of ethanol used. At that time, Minnesota was sent to Iowa, where it was converted to ethanol and shipped back to Minnesota. It wasn't until after the statute was converted to a producer credit in 1986 that ethanol production took off. With 14 plants, Minnesota now has more ethanol production facilities than any state.

Minnesota encouraged ethanol production for two major reasons: to provide a new market for corn, Minnesota's largest crop; to help farmers by giving them an ownership interest in the plants through cooperatives; to reduce the state's dependence on imports of oil, and to help the Twin Cities area meet federal air-quality standards.

The Plan

1. Minnesota requires gasoline distributors to sell designated gasoline with a blend of 2.7 to 10 percent ethanol. It is the only state with such a mandate.
2. The state makes quarterly cash payments of 20 cents per gallon of ethanol produced to its ethanol plants, with a maximum payment in each plant of \$3 million per year. The incentive program expires in 2004.
3. Financial assistance is available for construction and startup of ethanol plants because they meet the definition of an agricultural enterprise under Minnesota law.

The results

1. Minnesota spends about \$35.5 million a year on its ethanol program.
2. Seventeen percent of the state's corn crop, or 130 million bushels valued at about \$240 million, is channeled into ethanol and other products annually at the plants.
3. The state's 14 plants have the capacity to produce more than 220 million gallons of ethanol per year.
4. Twelve of the plants are cooperatives, owned by about 8,700 Minnesota farmers, and thus profits are paid out to farmer share holders. Not only have stock prices generally risen, but premiums paid to farmers typically have ranged from 20 cents to \$1 per bushel.
5. The cooperative plants employ about 330 people at annual sales averaging slightly more than \$300 million a year.
6. After subtracting the cost of ethanol production incentives, Minnesota gets a net economic benefit from the industry of more than \$200 million a year.
7. Nearly 10 percent of the state's gasoline is produced by ethanol plants.
8. The Twin Cities area, which had been out of compliance with the Environmental Protection Agency's carbon monoxide standard for nearly two decades, met the requirement in 1990.
9. In addition to fuel ethanol, the state plants produce 550,000 tons of high-protein livestock feed plus other products including industrial ethanol, starch, sweeteners and ethanol distillers.

Source: Minnesota Department of Agriculture

Wichert said

The state first proposed offering incentives to help the struggling La Crosse brewery, which may be partially converted into an ethanol plant, Trengstad said.

But when word spread about the state's incentives, "it was just like somebody turned on the lights, and we've been busy ever since," he said.

The first concrete step toward state support took place last year, when the Legislature approved a bill introduced by Democrat state Sen. Alice Clausen, D-McDonough, that would provide incentives of up to \$1 million a year for five years to help get these ethanol plants off the ground. The \$1 million is the maximum that could be shared by all ethanol plants eligible for the subsidy.

The incentives would come in the form of an annual 20-cent-per-gallon subsidy for

up to 15 million gallons of ethanol brewed in Wisconsin.

To show they have a commitment to the industry and creating new jobs, ethanol plants must produce at least 10 million gallons of ethanol before qualifying for the incentive, Trengstad said.

Sweetening the deal

Although the incentives won't become available until this summer and no plants are likely to qualify until 2002, state Rep. Tom Sylora, R-Chippewa Falls, already is co-author of a bill that would extend the subsidies to 10 years to guarantee more support to people willing to invest in the fledgling industry.

"In a highly volatile commodities market, this bill will provide the stability for ongoing success," he said, adding that after 10 years companies should be able to wean themselves from dependence on government subsidies.

Sylora, who doesn't anticipate much opposition to the continued legislation, suggested discussions of the 10-year subsidy program is partly responsible for the flurry of interest in building ethanol plants in the state.

"We wanted to be competitive with Minnesota," he said. "They have a successful program."

While the duration and size of the per-gallon subsidy may be similar in the two states, a major difference is that

Minnesota's incentive does a lot more. "The subsidies in the Minnesota ethanol industry totaled about \$3.5 million last year, while Wisconsin law says subsidies at \$3 million a year," Trengstad predicted the Legislature would increase.

Sylora and Rep. Joe Plouff of Wisconsin said they are thrilled to have plants proposed in their districts.

"The farmers up here are really tuning in," he said. "This should be a big help."

Sylora said, "Renewable fuels will help the environment and the farm economy."

Plouff said, noting that legislation to extend ethanol credits to producers is pending support from both parties.

Fueling growth

Proponents justify the subsidies by saying ethanol plants will create jobs in Wisconsin, help farmers by boosting corn prices, reduce the nation's dependence on foreign oil and improve the environment by making a cleaner-burning fuel.

A 1994 study by the state Energy Division estimated the creation of 100 million gallons of ethanol production capacity in Wisconsin would generate the equivalent of 1,000 jobs a year for 24 years, Wichert said. That would include jobs in ethanol plants and related industries.

"Getting into ethanol production makes sense for Wisconsin," said Monte Shaw, communications director for the Renewable Fuels Association, an ethanol industry trade association based in Washington, D.C. "Would you rather bring all of your fuel in from Saudi Arabia and put money in the pockets of oil sheikhs and big oil companies like Mobil, or would you rather help your own farmers and boost the state's tax base?"

Seeing the state getting behind the ethanol industry has been farmers' grinning ear to ear, although they wish it would have happened sooner.

"I think we have viewed ourselves as a dairy state and don't think of ourselves as the seventh-largest corn state."

Editor's Note

The issue of ethanol production is becoming a hot topic in the Chippewa Valley, as well as in other parts of Wisconsin and the Midwest.

The Leader-Telegram today continues a four-day series taking a look at all facets of the ethanol issue.

Sunday: An overview of plans for ethanol plants in Stanley and Menomonie and one family's struggles with a plant in St. Paul.

Monday: Ethanol production is becoming a United States issue.

Tuesday: An ethanol plant opens in a Wisconsin town.

Today: Wisconsin proposes to join the race to ethanol.

and Leah Olsson, a Palmyra farmer and executive director of the Wisconsin Corn Growers Association. "It always seemed crazy to us not to have an ethanol production in Wisconsin."

As a result of the lack of processing facilities in the state, 61 percent of all Wisconsin corn leaves the state, the group reported.

"Making ethanol is a way to add value to that corn while it's still in the state," Olsson said.

Ultimately, about 70 million bushels of Wisconsin corn could be earmarked for ethanol, Olsson estimated.

"We expect that could have a significant impact on demand and price," he said, explaining that studies have shown ethanol plants tend to raise corn prices by 15 to 20 cents per bushel within a 50-mile radius.

"We talked about it and we talked about it, but we just weren't able to put the financing together or whatever. We've chased ethanol plants only to see them go someplace else."

Joseph Trengstad, state Department of Agriculture, Trade and Consumer Protection

built into ethanol production," Stocke said. "Without those incentives, it's just too hard to make a profit."

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Wisconsin Use of Ethanol

Year	Gallons
1994	13.8 million
1995	48.5 million
1996	98.3 million
1997	57.5 million
1998	74.8 million
1999	75.4 million

Source: Wisconsin Dept. of Revenue

Staff graphic by Kathy Nelson

The Clean Air Act

requires that ethanol or alcohol be mixed with gasoline in areas with excessive carbon monoxide or ozone pollution. The other primary oxygenate, methyl tertiary butyl ether (MTBE), has been found to contaminate ground water and isn't used in Wisconsin.

While the Wisconsin market appears primed for ethanol production to take off, many of the grand plans hinge on the fate of state incentives, said Chuck Stocke, a spokesman for Stoltz

firm developing the McDonough plant.

Without a guarantee that subsidies will be expanded close to the level of Minnesota's program, Stocke predicted blueprints for some of Wisconsin's proposed plants will go up in smoke.

"Developing an ethanol plant is still a gamble until more efficiencies can be built into ethanol production," Stocke said. "Without those incentives, it's just too hard to make a profit."

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By Eric Wianoinm and Eric Lindquist

Special contributors

Paul Smith lives in a rural area near the western edge of the Stanley city limits. He moved there 16 years ago to be secluded and enjoy the country life.

So Mr. Smith was concerned when the city announced he would have a huge new neighbor — a fuel ethanol plant consuming 22 acres — just a quarter-mile away.

He knew it would mean semi trailer trucks coming by, more noise and an odor.

But it also would create about 30 good-paying jobs and an economic boost for the area, something that appeals to Mr. Smith, a lifelong Stanley resident.

As ethanol production ramps up across the country, communities are wrestling with the same conundrum: Do the benefits of the plants to farmers, air quality and the economy outweigh the potential negative consequences to local quality of life?

For Mr. Smith, his questions were answered recently at a public meeting held by developer Ace Ethanol.

Now he's confident the plant won't harm his way of life and will be a boon for

responsible group of individuals," Mr. Smith said of the developers. "The last thing they want is someone knocking on their door screaming and hollering every day.

"They're very open. They're not trying to hide anything. I believe they want to be good neighbors."

For some residents in Menomonic, where a similar ethanol plant is proposed, the answers haven't been so forthcoming.

Residents said they don't have a position on the plant yet but just want more information, which they say developer Stonic Energy and the city haven't adequately provided.

"What I'm finding interesting is we haven't heard why it's so wonderful for Menomonic, and that's the bottom line," said Brenda Luitjen, who lives on the city's east side two to three miles from the proposed plant site.

Former Menomonic Mayor and Postmaster Chuck Stokke, who has been a spokesman for Stonic Energy but won't be an investor, said Stonic's answers so far have satisfied the City Council. The private company will release more information as it becomes relevant, he said.

The same pastoral rural setting — endless rows of corn sprouting from the rolling hills — that lured Mr. Smith to his

house is what attracted ethanol plant developers to

Menomonic and Stanley.

They chose the sites because of easy access to large supplies of locally grown corn, which they could distill and convert into ethanol. Dunn

lion bushels a year.

Assuming the proposals receive the necessary funding and environmental permits, plants in Stanley and Menomonic will be making ethanol, an additive that raises the oxygen content of gasoline, within the next 18 months.

They are two of six corn-based ethanol plants proposed for the state, which recently had small plants using other agricultural products open in Plover and Spring Green.

Plans call for the Stanley plant to be built near the end of West Maple Street. The Menomonic plant would be built near the edge of town on 30 acres west of Highway B and north of Interstate 94.

Alex Samardzich of Bruce, Norman Spooner of Gilman, Bob Sather of rural Jim Falls and Larry Romanowski of Stanley are the lead investors in the \$25 million Stanley project.

Stonic has revealed only that its investors are from Wisconsin but could name them once initial funding is secured, which likely will happen in the next 45 days, Mr. Stokke said.

Energy plant would be built so it could expand and double its output in a few years, Mr. Stokke said.

Together, the two plants initially are expected to provide 60 jobs, more than \$2 million in payroll and \$59 million in tax base.

Jobs at both plants are expected to pay an average of about \$10 an hour, depending on qualifications and duties. Shift workers at Ace Ethanol's plant will make between \$14 and \$17 an hour, Mr. Samardzich said.

The plants will use a total of 14 million bushels of corn a year to produce 35 million gallons of ethanol plus about 90,000 tons of distillers grain, a byproduct sold for animal feed. Officials also expect the plants to increase the price paid to farmers for their corn from five to 15 cents a bushel.

The city of Stanley is selling the land to Ace Ethanol for \$1 an acre, provided the company meets a threshold for creating jobs and tax base, Stanley Mayor David Jankoski said. That agreement is similar to others the city has offered to

new businesses.

The city also plans to provide water and sewer services, and possibly road enhancements. Much of that work will be funded through a tax-incremental financing district.

"It's very difficult to predict at this time how much that will cost," he said.

Stonic Energy is buying its land for \$25,000 an acre, which is the city's going rate for industrial land. The site already has sewer and water service, plus an access road. Menomonic officials also anticipate spending about \$600,000 to build a rail spur to the plant but recouping two-thirds of that from a state grant.

Despite the positive projections, some residents are worried about the effects of the plant, including increased truck traffic, possible odors and consumption of about 220,000 gallons of water each day.

"Whenever the city takes on a project with a commitment to using our water at the volume it will be used, I'm concerned and I'm interested," said Marian Lang of Menomonic.

See **ETHANOL**, Page 3 ▶

Ethanol/Corn growers excited

from Page 1A

"Water is one of our precious resources, and we have very good water in Menomonie. It's one of those resources that seems to be endless, but it's not."

Odor problems at the Gopher State Ethanol plant in St. Paul have raised some concerns in the Chippewa Valley. Residents near that plant have complained about a continuous foul odor and health problems since part of a former brewery was converted into an ethanol plant.

"The quality of life here in Menomonie is what I'm most concerned about," Ms. Luitjen said. "I love living here, and I don't want to see that threatened."

But developers say comparing the St. Paul plant to those proposed in Wisconsin is like comparing apples to oranges.

Organizers of the St. Paul plant, which opened last spring, cut corners to save costs, used outdated equipment and had poor management, said Larry Johnson, business development director for Delta-T, an ethanol design and consulting firm in Williamsburg, Va.

Delta-T, which is designing the Stanley plant, will use the best technology to prevent odor problems, Mr. Johnson said, adding he has done consulting work for the St. Paul plant.

Mr. Johnson said the air quality around the St. Paul plant is poor, the Mississippi River produces strange air currents and the plant is in a densely populated residential area.

The odor is generated from drying distillers grain, Mr. Santardzich of Ace Ethanol said. If the mash is dried at correct temperatures and not scorched, there should be no odor, he said.

Mr. Stokke said he knows of the struggles some ethanol plants have had with odors, so Stonic Energy plans to install a thermal oxidizer.

The device, which isn't required and is expected to cost at least \$1 million, should stop nearly 100 percent of the odor escaping the plant, he said. It's the same piece of equipment Gopher State owners have pro-

blems in St. Paul. A thermal oxidizer is not planned for the Stanley plant.

The Menomonie plant also will have a 120-foot smokestack that is expected to pump emissions far away into nearby farm fields, where there is less housing density.

"This is definitely a benefit to the city, as far as using a local product," Mr. Stokke said. "We need these types of things around to use a local product. The corn growers and the farmers are vitally interested in this."

Jerome Prochnow, a farmer in Rusk, a community of about 40 people northeast of the proposed Menomonie plant, said he doesn't expect an odor problem.

With glass and hardwoods factories already near the site, he said, residents never have had a problem with emissions.

"Any emissions that do come will rise above anything," said Mr. Prochnow, who has been chairman of the Red Cedar town board for 26 years and is on the Dunn County Board.

He said that if the plant is built right, as developers have promised, even nearby residents won't catch a whiff.

Mr. Spooner, of Ace Ethanol, said corn soon will be a hot commodity in the Chippewa Valley.

"It's going to take 175 acres a day to feed this plant, so it's going to take a lot of corn," he said.

The ethanol plant will act like its own grain elevator, posting a new market price each day. It will have the capacity to store several thousand bushels of corn, or enough for about 30 days of production.

Pat Rasmus, a Chippewa County corn farmer and a member of the Wisconsin Corn Growers Association board of directors, is excited about potential boost he expects ethanol plants to give regional farmers.

It's hard to predict how much the plants will drive up the price of corn, but it can't hurt to add new major buyers to compete with The Turkey Store in Barron, Gold'n Plump in Arcadia and shipping corn by

Mr. Rasmus said. If nothing else, transportation costs should be reduced for farmers who sell their corn to the plants.

"Anytime you've got to truck it less, that's more money in your pocket," and every little bit helps in these lean times for farmers, he said.

With dairying not as profitable as it once was, more farmers are selling their cows and going into grain production, so any boost from the ethanol plants would help a growing sector of the region's farmers, said Bob Denman, assistant to the president for the Chippewa Falls-based Wisconsin Farmers Union.

Dairy farmers also may benefit from the availability of distillers grain, which they anticipate would be cheaper if it were produced locally.

Marv Prestrud, a dairy farmer from Prairie Farm, said he uses distillers grain for about 10 percent of his feed. He might use more if the presence of local plants knocks the price down, particularly if they sell it wet for a much lower price.

Mr. Prestrud predicted many local farmers will begin to feed distillers grain once the plants open.

Farmer Wayne Lechleitner of Stanley, who lives about a mile north of the proposed plant site, said he's interested in getting a job at the plant and possibly scaling back on his farming.

"It sounds like there's going to be some pretty decent jobs," he said.

Mr. Lechleitner, who has farmed for many years, is excited about a potential year-round market for the 10,000 bushels of corn he grows each year on about 200 acres.

"I haven't heard anything negative on it," he said of the plant. "It's so new that nobody knows what to expect. We don't have anything to compare it to."

If he doesn't get a job at the plant, Mr. Lechleitner said renting up to 1,000 acres of additional nearby land to grow more corn is a possibility.

Need Help Getting Social Security

Steve Stokke talks to Grain

BY JIM KLEINHANS
EDITOR

How an ethanol plant in Menomonie would interact with Dunn County corn growers was the subject of a meeting Tuesday night.

Steve Stokke of Elk Mound, who is one of the partners in Stonic Energy, was a guest at the Grain Club meeting at the Agricultural Service Center in Menomonie.

The other partner in Stonic Energy is Ron Nicks, a contractor from Tomah.

Background

Stokke first told the grain farmers of his background.

He was born and raised in Barron and participated in the 4-H dairy program.

He then moved to Menomonie and attended UW-Stout, then went into active duty in the Air Force.

After serving in active duty, Stokke spent five years as a civilian worker at a Department of the Navy facility in Indianhead, Md., where he worked on manufacturing and environmental projects.

He then transferred to Ft. McCoy in 1991, where he worked in environmental permitting for the bomb squad and environmental restoration.

Ethanol plant specifics

As previously reported in the *Dunn County News*, here are some specifics on the project:

- The plant will be built on 30 acres in the Menomonie Industrial Park off Packer Drive (just east of Ambassador Steel).

- The plant will initially have a capacity to produce 20 million gallons per year of ethanol, although it could

reach 24 to 25 million gallons per year. Future expansion could reach 40 million gallons per year.

- A 56-pound bushel of corn will produce 2.8 gallons of denatured alcohol or 2.67 gallons of ethol alcohol, which will be mixed with 5% gasoline to produce ethanol.

- The plant will have the capacity to fill three to four rail cars per day with ethanol.

- Brokers will take ownership of the ethanol once it hits the rail cars and market the ethanol for gasoline.

- One rail car will equal four or five road tankers.

- The plant will cost \$32 million and employ 31 workers.

- Fagen, Inc., of Granit Falls, Minn., will be the design builder of the plant. The firm has built about 75% of the ethanol plants in the midwest.

- The process will leave behind dried distillers grain, which has a protein content of between 25 and 38%. This distillers grain is good for feeding animals. The plant will produce 65,000 tons of dry distillers grain, which will be marketed.

- The process will also produce carbon dioxide, which will be recovered and marketed.

- The odor emanating from the facility will be like Graham Crackers or a bakery. Stokke took note that odor is a concern in St. Paul, where a plant is located in an old brewery in downtown St. Paul. "It couldn't have been in a worse site," Stokke said. The Menomonie plant will have Best Available Control Technology (BACT), which means a generative thermal oxidation process will be used. That's the same process cur-

rently being proposed to deal with the St. Paul odor. The process will be 99.99% efficient.

- Noise at the facility would be related to the hammermill. Stokke noted that the hammermill will be located within the structure of the building to cut down on the noise.

- Berms will be built on the north and east side of the plant.

- Stonic Energy has hired a consultant to apply for a DNR Air Quality Permit. Stokke said that the plant, which will have a smoke stack of 125 feet, is considered a "minor source" on emissions.

- The plant will be hooked up to the Menomonie Wastewater Treatment Plant. He noted that the industrial process will be a "closed loop process," which means that water from the process will not be placed into the sewer lines. Water from the boilers and the chiller water will go into the sewers.

- The state has a subsidy for ethanol plants of 20 cents per gallon up to 15 million gallons. These provisions have a five-year sunset; Rep. Tom Sykora (R-Chippewa Falls) is proposing a 10-year sunset provision.

- The Business Plan is almost complete, the attorney will "work this weekend" on the plan, and a consultant will start seeking investors for the plant. Federal regulations require that investors be kept to 75 or less. The minimum investment is \$500,000, although ownership retains the right to accept investment in lesser increments.

- Stokke said that the Menomonie Industrial Park is an ideal place for such a facility. Prevailing winds are from

Grain Club about ethanol plant



JIM KLEINHANS/DUNN COUNTY NEWS

Steve Stokke of Elk Mound (center) was the speaker at the monthly Grain Club meeting Tuesday night at the Agricultural Service Center. Stokke and Ron Nicks of Tomah are the owners of Stonic Energy, which plans to build an ethanol plant in the Menomonie Industrial Park. At left is Luther Grohn, a Grain Club member, and at right is Jim Faust, Dunn County UW-Extension Agricultural Agent.

the west-southwest, an interstate is very close, a major county highway runs north-south and there is a major rail line running near the plant. "There is no better site in Wisconsin," Stokke noted.

- There will be an economic benefit to Dunn County. Stokke reports that 80% of the revenues will be spent within a 72-mile radius of the plant.

- A 1995 USDA report indicates that an ethanol plant has a 1.24 net energy value. That means that the plant puts out 24% more energy than it takes to produce the ethanol.

Corn use

Of particular interest to those in attendance was how much and what kind of corn

would be needed for the facility.

Here's what Stokke had to say about the plant:

- Will use No. 2 yellow corn with less than 16% moisture that will have zero alpha toxin tolerance.

- Will require 7.5 million bushels of corn each year, which is about 30 truckloads per day. The plant will operate 24-hours per day, seven days a week, 365 days a year.

- Will have on-site storage for 10 days of operation.

- Two different local marketers will be used to buy the corn.

- Most of the corn will come from a 10-county area surrounding Dunn County. Dunn County produced 9.1 million bushels of corn in 1999; the plant will initially use 7.5 mil-

lion bushels of corn per year, with expansion capable of using 15 million bushels per year.

- It's expected that the price of corn could rise anywhere from 8 to 30 cents if an ethanol plant is located in Menomonie.

- Stokke hopes to break ground for the plant this summer. With a 12-month construction period, it could be in operation in 2002 and take corn from the fall harvest.

- The firm would allow a farmer to have a stake in ownership and sell corn to the facility.

- The grain farmers at the meeting told Stokke that they would like to see a "very efficient" traffic flow for bringing in the corn. Stokke promised them that when he receives specific drawings, he would share them with the county grain farmers.

Future of ethanol

Stokke said that the future of ethanol is very bright in the United States.

"Currently, we can't keep up with the market demand due to the Clean Air Act requirements and the phasing out of MTDE, a cancer-causing fuel additive, that was being used for cleaner air."

He noted that down the road, he sees the need for ethanol because of stricter requirements on fleet and city diesel buses.

In addition, newer cars are capable of using E-85 fuel (85% ethanol, 15% gasoline).

Currently, there are E-85 plants in the Twin Cities, Milwaukee and Madison, but none in Dunn County.

"The Department of Agriculture's goal is to have a corridor from Cleveland to Chicago to Minneapolis that will offer E-85 pumps," Stokke noted.

"I see ethanol as a win-win-win situation," Stokke concluded. "A win for agriculture, a win for the economy and a win for the consumer."

Third of four parts

By Eric Widholm

Leader-Telegram staff

PRESTON, Minn. — Jim Simonson was driving home from a winter vacation in Florida when he felt his car's engine gasp.

He pulled over at a southern Wisconsin truck stop in frigid temperatures to buy a fuel filter. But an employee there offered him a bottle of ethanol instead.

Simonson had no idea if it would help, but the man promised the additive to his gasoline would solve his problems. So he gave it a shot.

After pouring the alcohol into the fuel tank and filling it with gasoline, Simonson fired up his car and drove off, having no problems the rest of the way.

That was about 10 years ago. "That's how I got to be an ethanol man," he says. "I became a 100 percent ethanol boy that day."

Simonson vowed that his hometown of Preston, a city of 1,500 in southern

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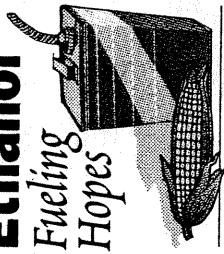
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Ethanol Fueling Hopes



Growers Association, jumped at the chance. He proposed the idea to the other association members, and they embraced it.

Just 2½ years after it opened, managers of the Pro-Corn ethanol plant on the fringes of the city limits already are planning to double its size.

And the once-risky investment is so profitable that stock in the cooperative plant has tripled in value. Plus, investors all have earned back their \$12,500-per-share investment.

"I was confident all the way," said

Minnesota, would have a corn-based fuel ethanol plant some day.

And when that opportunity arose about four years ago, Simonson, then chairman of the Fillmore County Corn

To read the first two stories in the ethanol series, go to Special Reports at www.leadertelegram.com

Simonson, who is one of 163 farmers who own about 65 percent of the co-op. "I'm just one of those guys who makes up his mind to do something and not give up."

The plant also has been an economic boon for the city, providing 30 good-paying jobs, adding \$20 million to the tax base and offering a year-round, stable market for corn, Preston Mayor Clarence Quanrud said.

Before the plant was built, the land was a vacant field and city officials were looking for a business to anchor the park.

"We have an industrial park out there now that we wouldn't have had before," Quanrud said. "We talked about putting one in for years and years, but what's the use of having an industrial park if you've got no industry? This here spurred it."

See ETHANOL, Page 6A

Editor's Note

The issue of ethanol production is becoming a hot topic in the Chippewa Valley, as well as in other parts of Wisconsin and the Midwest.

The Leader-Telegram today continues a four-day series taking a look at all facets of the ethanol issue.

Sunday: An overview of plans for ethanol plants in Stanley and Menomonie and one family's troubles with a plant in St. Paul.

Monday: Ethanol production is booming in the United States.

Today: An ethanol plant thrives in a Minnesota town.

Wednesday: Wisconsin prepares to join the rush to ethanol.

Ethanol/Odor irks son

from Page 1

The city also has a lumber mill and creamery downtown that provide about 30 jobs each, the mayor said, so the ethanol plant ranks among its largest employers.

The ethanol plant sits on high ground about a mile north of downtown Preston. The city is in a valley in the far southeastern part of the state.

Motorists driving west on busy Highway 52 can see the smoke billowing from Pro-Corn's tall stack from miles away. On most days, the smoke floats northeast into nearby farm fields before dissipating.

Thus far, Quanrud said, the plant hasn't prompted any major spinoff business — such as a new restaurant or convenience store — but it has produced subtle benefits for Preston, the county seat of Fillmore County.

Existing stores, such as feed mills, truck repair shops and restaurants, are getting more business. And the ethanol plant's success has prompted other businesses to inquire about setting up shop in the industrial park, Quanrud said.

The park has about 43 acres, with the ethanol plant occupying 17 acres. The city had a power substation and sewer service at the site.

The City Council authorized extending water to the area, but Pro-Corn is being assessed for most of those costs, Quanrud said.

Plus, the ethanol plant has helped increase the price farmers receive for their corn by up to a dime a bushel. Those farmers also save on shipping costs because they no longer have to truck corn 50 to 60 miles to the Mississippi River.

Mixed reactions

Most residents in this small city just north of the Iowa border have welcomed the plant. But there are exceptions.

"It's progress, and progress is never nice," Quanrud said. "People always object because it wasn't that way yesteryear. People don't like change; that's part of small-town living."

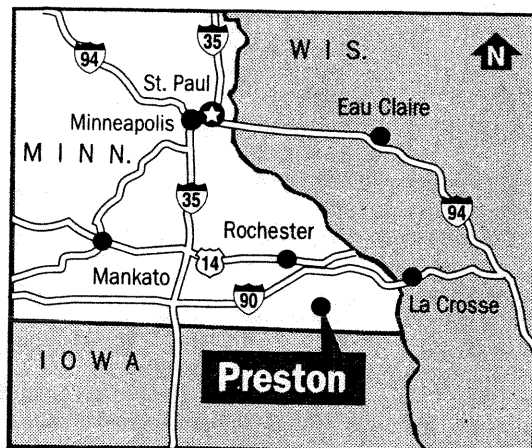
One of the primary complaints, as with any ethanol plant, is the odor of its emissions.

Either you love it or you hate it, Preston residents said, and it largely depends on the sensitivity of the person's nose.

Quanrud, who lives north of the plant where the largest gusts of emissions blow, said it's never bothered him or his neighbors.

Luverne Soland, a carpenter who lives about 3 miles out of town, said emissions from the plant can be strong, but it's nothing that affects his life.

"If the wind stays the right direction, it does get a bit irritating," Soland said. "But if I had a choice between smelling an ethanol plant or a hog house, I'd choose the ethanol plant any day



Staff graphic by Kathy Nelson

of the week."

Residents' descriptions of the smell ranged from burnt popcorn, yeast and baked bread to stale beer.

Many compared it with smells gusting in from large hog operations because several such farms sit outside the city limits, blowing a stench from miles away on warm summer days.

Sue Bisco, whose parents own True Value Hardware store downtown, said the scent doesn't bother her.

"I think it smells like a bakery, but my son just hates it," she said. "It depends on which way the wind blows, and usually it doesn't blow over town too much."

"It's country; it's a small town," Bisco said. "You have smells. That's all there is to it."

Roger Rindels, superintendent at Preston Golf and Country Club, about a half-mile southwest of the ethanol plant, said the emissions sometimes blow over the golf course.

But it's only when the wind is strong from the northeast, he said, which rarely happens. Although some golfers have mentioned it, Rindels said, "it's not that big of a deal."

Steve Bahl, manager of the Branding Iron Supper Club, which sits atop a large hill leading into Preston, said some residents complain about the smell.

"It doesn't really bother me, but I know there are certain people it does," he said.

Bahl said he hasn't heard many complaints from customers because the odor mainly stays outside his restaurant. "I've never really noticed it inside," he said.

His brother, Andy Bahl, who works at Root River Hardwoods across the street from the ethanol plant, said some of the employees there have complained.

The biggest downside is its smell, Andy Bahl said of the plant, which is directly north of the store. He added that he supports it, though, because it's good for the community.

ne, tolerable for others

Good for business

Dave Hanson, manager of Hanson Tire Service, said his business about a half-mile south of the plant also deals with odor.

"We get a minimal amount of smell out of it, but nothing really serious," he said.

No employees have complained about health problems, Hanson said. "You get your days where it's a little bit stronger than others."

But Hanson said he'll put up with a little odor because of the work the plant has generated for the business.

He said the continuous truck traffic in and out of the plant each day has led to a large increase in tire repairs.

"It definitely is a plus for us," Hanson said.

His sentiments were common among Preston residents: Supporting agriculture is more important for residents than occasionally having to smell a baked-bread odor.

"It's a benefit to the town," resident Orville Jensen said of the plant. He farms on about 160 acres. "We should have had more of this stuff years back instead of chasing it out of town."

"It's either support this or support the Arabs," Jensen said, referring to the locally produced gasoline additive as a way to reduce the country's reliance on Mideast oil imports.

Since the ethanol plant has moved to town, business has picked up at True Value. Plant employees buy electrical equipment, hardware, paint, food, greeting cards and other items, Bisco said.

"I think that ethanol plant is a very much-needed business in town," said Art Callanan. "If you don't keep the farmers around and have them making the money, no one's going to."

Farmer Dawson Grabau, who grows about 100 acres of corn, said the revenue for his corn has increased about 10 to 15 cents a bushel. That is coupled with the savings he gets by not trucking his 10,000 bushels down to barges at the Mississippi River.

"Anybody can sell corn up there, whether they're a shareholder or not," he said.

Grabau, who also is a shareholder in the venture, said he is making money from his investment in the plant.

"I think it's been a very good idea," he said.

Grabau also uses distillers grain to feed his cattle. The byproduct is in high demand by farmers throughout the state. Many farmers use the high-protein feed to mix with other feeds because they can get it at less cost.

"There's basically a waiting line," he said.

Growing acceptance

Callanan said the plant's smell isn't residents' main source of frustration. People are kicking themselves because they missed an opportunity to invest.

"Renewable fuels are the wave of the future," he said. "Ten years from now there should be a lot of this stuff around. One hundred years from now we're not going to have any oil in the ground."

He said the ethanol plant rarely is discussed anymore during morning chat sessions at Chic's Pizza, a popular downtown hangout.

"It's here. It's good for the community, and I think people have just accepted it," he said.

Resident Bob Luck, an avid bicyclist on Preston's many bike trails, said he supports any venture that protects the environment.

A few residents said the plant just off Highway 52, a major thoroughfare leading into Preston, is an eyesore. They said its lights at night add to the city's blemished skyline. The plant runs 24 hours a day, seven days a week, nearly year-round.

But Luck, a lifetime Preston resident, said the plant looks impressive at night. "It looks like another town," he said.

Quanrud, the mayor, said he has heard no complaints from residents about the site.

"Eighty percent of the people (driving by) probably don't even know what it is," he said. "They probably don't even look over there."

However, news that the plant is seeking to double in size, from producing 20 million gallons of ethanol a year to 40 mil-

lion, has triggered debate from a few residents, Quanrud said.

But that's the same group that protests every major project in town, he said.

"I think you're going to have people complain; I don't care what it is," Quanrud said.

The plant plans to add an extra 75 feet to its 100-foot smokestack and add a scrubber device, which will cut emissions immensely, Quanrud said. Plant officials have complied with nearly every city request.

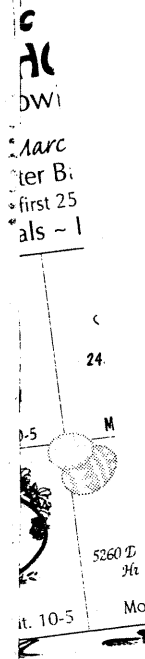
"These people do a heck of a job," he said. "If we get that 75 and a scrubber, people won't have nothing to complain about."

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“It's a benefit to the town. We should have had more of this stuff years back instead of chasing it out of town.”

— Orville Jensen,
Preston, Minn.,
resident

”



Leader-
Telegraph
3/26

Pumped-up potential

*With incentives,
corn supply, state
plunging into
ethanol market*

Last of four parts

By Eric Lindquist
and Eric Widholm
Leader-Telegraph staff

Wisconsin motorists used more than 75 million gallons of ethanol-blended gasoline last year, but not a single drop of ethanol was produced in the state.

Meanwhile, other Midwestern states have seized the opportunity to turn their struggling corn farms into fields of dreams, fueled by the rising demand for grain alcohol to raise the oxygen content of gasoline.

Led by Minnesota, where 13 of the its 14 ethanol plants started in the 1990s, the number of production facilities has skyrocketed in the past decade.

Ethanol Fueling Hopes



It's no mystery why U.S. ethanol plants are concentrated in the nation's breadbasket. That's where the corn is, and corn is the most common core ingredient in ethanol.

Of the 58 ethanol plants nationwide, 38 can be found in the top six corn-producing states: Iowa, Illinois, Nebraska, Minnesota, Indiana and Kansas.

Wisconsin, ranked No. 7 among states with corn production of 408 million bushels in 1999, has been the exception. Until now.

Despite arriving late to the ethanol party, Wisconsin appears poised to dive whole hog into the home-grown fuel market.

With tiny recently opened ethanol plants in Plover and Spring Green and six larger

Nationwide, ethanol production reached 1.6 billion gallons in 2000, up 78 percent from a decade earlier. Usage in Wisconsin last year was nearly six times the volume in 1994.

To read the first three stories in the ethanol series, go to Special Reports at www.leader-telegraph.com.

ones in the planning stages — including facilities proposed for Menomonie and Stanley — Wisconsin could go from a major importer of ethanol to a net exporter as soon as next year, said Don Wichert, energy resources chief in the state Division of Energy.

Based on developers' projections, the eight plants could have a total production capacity of more than 100 million gallons a year, Wichert said.

State officials don't have a magic number yet as to how many ethanol plants they would like operating in Wisconsin but are pleased with the surging interest, said Joseph Pregione, deputy secretary of the state Department of Agriculture, Trade and Consumer Protection.

Wisconsin Gov. Scott McCallum has thrown his support behind ethanol.

See ETHANOL, Page 5A



Ethanol

from Page 1

production, including \$3 million in his proposed budget for incentives to producers.

The incentives will encourage investors to build plants in Wisconsin and allow the state to compete with other states that offer ethanol production assistance, he said.

"We must capture some of the jobs and economic benefits that surrounding states are enjoying with the production of ethanol," McCallum said.

At the national level, U.S. Rep. Ron Kind, D-La Crosse, and President Bush also have expressed support for federal incentives promoting ethanol because of the benefits to farmers and air quality.

"Ethanol is good for the economy because it's produced locally and good for the environment because it reduces greenhouse gases, so it's really a win-win situation for Wisconsin," said David Morris, vice president of the Institute for Local Self-Reliance, a group promoting environmentally sound economic development with offices in Minneapolis and Washington, D.C. "We are thrilled to see Wisconsin following in the footsteps of Minnesota."

Resistance movement

Not everyone, however, is excited about the prospect of ethanol plants springing up around Wisconsin.

In Dodge County, a group called STEP II (Stop the Ethanol Plant) filed a lawsuit in February to halt construction of a plant proposed in the town of Elba. (STEP I was the name of a group that protested now-abandoned plans for a plant in Horicon.) STEP II has obtained more than 400 signatures on a petition opposing the project in Elba, which has a population of about 950 people.

Deb Schilling, a spokeswoman for STEP II, said the group is concerned about odor, truck traffic, health and environmental ramifications and the potential impact on local ground water levels.

Members have toured ethanol plants in Minnesota and talked to neighbors who had odor complaints and well problems they attributed to the plant, Schilling said.

"If you start pumping 200 million gallons of water a year, there is going to be some impact on our water table," she said. "And I've gone downwind from some of these plants, and it smells horrible."

Even though the proposed site is fairly rural, more than 50 homes would be within a mile of the plant, said Schilling, whose farm is about three-quarters of a mile away.

"I'm not against ethanol. I'm against the location. It needs to go into an industrial park," she said. "We're worried about our quality of life."

The opposition is disappointing to Elba Town Chairman Russ Farr, who sees the project as an economic development coup for the region and a boon for farmers.

"We're one of the biggest dairy counties in the United States, and here we've got something that will help the farmers stay in business and people are fighting it. It's sad," Farr said.

Industry incentives

Just because Wisconsin doesn't have any large ethanol plants yet doesn't mean the state hasn't been trying, said Tregoning, of the state agriculture department.

Wisconsin officials have had offers to construct ethanol plants since as far back as the 1980s, he said, but the state never was able to finalize any deals.

"We talked about it and we weren't able to put the financing together or whatever," Tregoning said. "We've chased ethanol plants only to see them go someplace else."

Perhaps the biggest reason Wisconsin has been slow to get into ethanol production is that the industry remains dependent on incentives — something the state until recently had been hesitant to offer.

"We've been slower to provide specialized rebates and subsidies than some other states. It's been more a free-market approach here,"

up to 15 million gallons of ethanol brewed in Wisconsin. To show they have a commitment to the industry and creating new jobs, ethanol plants must produce at least 1 million gallons of ethanol before qualifying for the incentive, Tregoning said.

Sweetening the deal

Although the incentives won't become available until this summer and no plants are likely to qualify until 2002, Chippewa Falls, already is co-author of a bill that would extend the subsidies to 10 years to guarantee more support to people willing to invest in the fledgling industry.

"In a highly volatile commodities market, this will provide the stability for ongoing success," he said, adding that after 10 years companies should be able to wean themselves from dependence on government subsidies.

The state first proposed offering incentives to help the struggling La Crosse brewery, which may be partially converted into an ethanol plant. Tregoning said. But when word spread about the state's incentives, "it was just like somebody turned on the lights, and we've been busy ever since," he said. The first concrete step toward state support took place last year, when the Legislature approved a bill co-authored by former state Sen. Alice Clausing, D-Menomonee, that would provide incentives of up to \$3 million a year for five years to help get state ethanol plants off the ground. The \$3 million is the maximum that could be shared by all ethanol plants eligible for the subsidy. The incentives would come in the form of an annual 20-cents-per-gallon subsidy for

Sykora, who doesn't anticipate much opposition to the advanced legislation, suggested discussion of the 10-year subsidy program is partly responsible for the flurry of interest in building ethanol plants in the state.

"We wanted to be competitive with Minnesota," he said. They have a successful program."

While the duration and size of the per-gallon subsidy may be similar in the two states, a major difference is that Minnesota's incentives don't have a cap. Thus, subsidies to the Minnesota ethanol industry totaled about \$35.5 million last year, while Wisconsin law caps subsidies at \$3 million — a figure Tregoning predicted the Legislature would increase.

Sykora and Rep. Joe Plouff, D-Menomonie, said they are thrilled to have plants proposed in their districts.

"The farmers up here are really hurting, and this should be a big help," Sykora said.

Renewable fuels will help the environment and the farm economy, Plouff said, noting that legislation to extend ethanol credits to producers is getting support from both parties.

Fueling growth
Proponents justify the subsidies by saying ethanol plants will create jobs in Wisconsin, help farmers by boosting corn prices, reduce the nation's dependence on foreign oil and improve the environment by making a cleaner-burning fuel.

A 1994 study by the state Energy Division estimated the creation of 100 million gallons of ethanol production capacity in Wisconsin would generate the equivalent of 1,000 jobs a year for 24 years, Wichert said. That would include jobs in ethanol plants and related industries.

"Getting into ethanol production makes sense for Wisconsin," said Monte Shaw, communications director for the Renewable Fuels Association, an ethanol industry trade association based in Washington, D.C. "Would you rather bring all of your fuel in

from the Arabian and put money in the pockets of oil sheiks and big oil companies like Shell, or would you rather help your own farmers and boost the state's tax base?"

Seeing the state getting behind the ethanol industry has corn farmers grinning ear to ear, though they admit it would have happened sooner.

"If we have to build ourselves as a dairy state and don't think of ourselves as the seventh-largest corn state,

said Bob Olson, a Palmira farmer and executive director of the Wisconsin Corn Growers Association. It is

always seemed crazy to us not to have any ethanol production in Wisconsin.

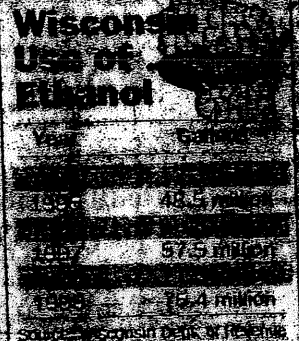
As a result of the lack of processing facilities in the state, 61 percent of all Wisconsin corn leaves the state, the group reported.

"(Making ethanol) is a way to add value to that corn while it's still in the state," Olson said.

Ultimately, about 70 million bushels of Wisconsin corn could be earmarked for ethanol, Olson estimated.

"We expect that could have a significant impact on demand and price," he said, explaining that studies have shown ethanol plants tend to raise corn prices by 15 to 20 cents per bushel within a 50-mile radius.

The plants grind corn every day, regardless of market conditions, he said.



While the greatest advantage will go to farmers closest to the ethanol plants because they will benefit from lower transportation costs, state officials believe having the facilities in Wisconsin will boost corn prices statewide, said state Agriculture Secretary Jim Harsdorf of Belleville, who took office today.

Wisconsin, where 30 percent of all gas sold contains ethanol, already has some what of a established market for the additive because state law requires all state vehicles to use ethanol wherever it's available.

In addition, 100 percent of the gas sold in six southeastern Wisconsin counties contains ethanol, in part because of the Milwaukee region's poor air quality.

The Clean Air Act requires that ethanol be another option for reducing emissions, especially in areas with excessive carbon monoxide or ozone pollution. The other primary oxygenate, methyl tertiary butyl ether (MTBE), has been found to contaminate ground water and is not used in Wisconsin.

While the Wisconsin market appears primed for ethanol production to take off, many of the grand plans hinge on the fate of state incentives, said Chris Stokes, a spokesman for the State Energy Inc.

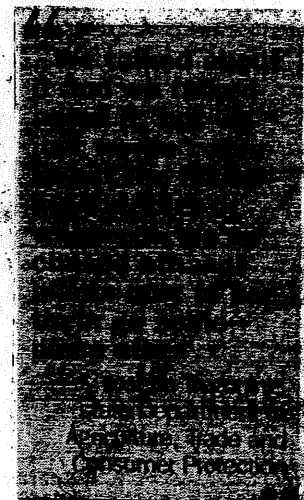
Without a guarantee that subsidies will be expanded close to the level of Minnesota's program, Stokes predicted the plans for some of Wisconsin's proposed plants will go on is shaky.

Developing an ethanol plant is still a gamble, and more efficient dies can be built into ethanol production," Stokes said. "Without those incentives, it's just too hard to make a profit."

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able. As a result, state vehicles use between 1 million and 2 million gallons of ethanol a year, Wichert said.



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Subsidies, other factors ignite ethanol surge

Second of four parts

By Eric Lindquist

Leader-Telegram staff

Leader-Telegram

3/19

When Henry Ford designed his Model T to run on ethanol in 1908, he proclaimed it the fuel of the future.

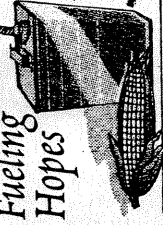
It hasn't exactly turned out as the inventor envisioned, but nearly a century later the fuel — now used almost exclusively as a gasoline additive to reduce harmful automobile emissions and improve octane ratings — is on a roll.

While ethanol still accounts for only about 1.2 percent of the 120 billion gallons of gas used annually in the United States, domestic ethanol production is in the midst of a major growth spurt. Production expanded ninefold from 175 million gallons in 1980 to a record 1.6 billion gallons in 2000.

In just the past year, 11 new ethanol plants opened and six existing plants completed major expansions, adding 226 million gallons of annual production capacity.

Ethanol

Fueling Hopes



And the momentum, doesn't appear to be slowing down, with new plants being proposed in dozens of sites — including Menomonee and Stanley — in the next few years, according to the Renewable Fuels Association, a Washington, D.C.-based trade association for ethanol producers.

So what's behind the soaring demand for ethanol, a clear, colorless alcohol that people have been making since ancient times? The surge resulted from several factors: concerns about the environment; high gas prices; dependency on foreign oil; and recent revelations about ground water contamination by methyl tertiary butyl ether (MTBE), said RFA spokesman Monte Shaw. MTBE is ethanol's primary competi-

tor as a gasoline additive aimed to reduce pollution from automobiles.

The industry also has been helped by the willingness of states to provide millions of dollars in incentives to ethanol producers as a way of propping up struggling grain farmers. Ethanol consumes 6 percent of the nation's corn crop.

With demand at a record high and growing, Shaw brushed aside the suggestion that such rapid growth might lead to a shakeout in the fledgling industry.

"Our industry is more worried about not being able to grow fast enough than we are about growing too fast," he said. "The long-term trends just look overwhelmingly positive for ethanol."

Despite the momentum, the industry has received some criticism, mostly focusing on the smell emanating from the plants, the potential health problems from emissions and the cost to taxpayers of the subsidies.

See **ETHANOL**, Page 4A

Editor's Note

The issue of ethanol production is becoming a hot topic in the Chippewa Valley, as well as in other parts of Wisconsin and the Midwest.

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from Page 1

Government support

The ethanol market is almost entirely a result of state and federal subsidies and regulations, according to an analysis last year by the National Council for Science and the Environment.

The federal ethanol program encourages gasoline marketers and blenders to use ethanol by making them eligible for a reduction of up to 5.3 cents per gallon on the federal excise tax on gasoline, which is 18.3 cents per gallon.

Several states, particularly those in the Corn Belt, also have their own incentive programs. Wisconsin and Minnesota, for instance, offer cash payments of 20 cents per gallon to ethanol plants for a portion of their production.

These tax-funded breaks help make ethanol more competitive with conventional gas, which generally is cheaper to produce.

After being denatured, or made unfit for human consumption, ethanol generally is blended at up to 10 percent with gasoline when used for fuel. The mixture sometimes is called gasohol.

But critics have questioned the appropriateness of an industry that's completely dependent on what they call corporate welfare, especially when production is concentrated among a few large producers and the industry is a major contributor to political campaigns. The top 10 companies account for about 82 percent of U.S. ethanol production capacity, the NCSE report indicated.

Archer Daniels Midland, for instance, is the nation's No. 1 ethanol producer and also one of the largest sources of unregulated campaign contributions to the national political parties, said Jay Heck, executive director of Common Cause in Wisconsin.

"That sure has the appearance of a quid pro quo," Heck said. "Absent those soft money contributions, I think what you would find is that ethanol and Big Oil would battle it out based on evidence and studies. That's how public policy ought to be decided, not on the basis of political contributions."

Environmental impact

The Clean Air Act requires that ethanol or another so-called oxygenate be mixed with gas in areas such as Chicago and Milwaukee with excessive carbon monoxide or ozone pollution.

Ethanol contains 35 percent oxygen, and the additional oxygen content results in more complete combustion in automobile engines, thus reducing harmful tailpipe emissions, according to the RFA. Overall, the use of grain-based ethanol reduces greenhouse emissions by 35 to 46 percent compared with conventional gasoline.

"Ethanol is the safest component in gasoline today," Shaw said, noting that it is rapidly biodegradable in surface water, ground water and soil.

Still, ethanol's environmental slate isn't unblemished.

While the use of ethanol generally improves air quality, it increases the release of other pollutants, according to a study by the U.S. Department of Energy's Argonne National Laboratory.

The research showed fuel

Ethanol is getting more recognition as a fuel that can help cities meet clean air requirements without the dangers of MTBE.

— Trevor Guthmiller,
executive director,
American Coalition for
Ethanol

ethanol leads to increased levels of toxins called aldehydes and peroxyacyl nitrates. Those substances, called PAN, are highly toxic to plants and strong eye irritants.

While ethanol manufacturing also produces a significant amount of the greenhouse gas carbon dioxide, it's a wash over the entire production cycle because of the amount of carbon dioxide absorbed by the corn and other plants used to make ethanol, said David Morris, vice president of the Institute for Local Self-Reliance. The group promotes environmentally sound economic development.

And with ethanol having a slightly lower energy content than gasoline, using ethanol blends typically results in a 3 percent decrease in fuel economy.

Some critics also claim that

claims don't take into account all of the energy consumed to grow the plants used to make ethanol. But a 1996 USDA study reviewed the entire fuel cycle and concluded that ethanol contains 34 percent more energy than is used to produce it.

To promote even greater environmental benefits, many government auto fleets, including Wisconsin's, are required to use flexible fuel vehicles that can operate on an 85 percent ethanol blend called E85, gasoline or any combination of the two in the same tank.

While such vehicles are becoming more widely available, it's still hard for people who would like to use E85 to find the fuel. The Minneapolis-St. Paul area is the national leader in E85, with about 50 of the 200 refueling stations nationwide.

MTBE worries

Ethanol is a distant second among oxygenates to MTBE, despite the baggage carried by the oil industry's preferred additive. Since the federal government in 1995 began requiring oxygenated gasoline in areas with bad smog problems, MTBE has been hit by consumer complaints.

Jim O'Neal, an analyst with the state Energy Division, said he worked a booth at the Wisconsin State Fair that year

and recalled that many consumers complained that the new reformulated gas with MTBE made them feel sick. Enough people complained that state gasoline dealers eventually all switched to ethanol to satisfy the oxygenate requirement.

In addition to these short-term effects from limited MTBE exposure, a 1996 review by The Health Effects Institute, a partnership between the EPA and industry, found that high levels of exposure were toxic to the nervous system and caused cancerous tumors in rats.

MTBE has taken a big hit in recent years as a result of revelations that it contaminates ground water. That discovery prompted several communities and 10 states to start phasing out the substance. Congress also has considered a national ban of MTBE.

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With ethanol the primary alternative oxygenate, the bad news for MTBE has been good news for ethanol and helped spark the industry's expansion.

"Ethanol is getting more recognition as a fuel that can

See **ETHANOL**, Page 5A

Health concerns

While fears about MTBE have been in the news, ethanol also has generated some public health concerns.

The Health Effects Institute concluded that ingesting ethanol at moderate to high levels increases the risk of cancer and affects the nervous system and prenatal development. But it is unlikely those effects would result from the very low exposure levels from inhalation at refueling stations, the group said.

The virtual absence of reports of injury to humans from inhaled ethanol could be because the body rapidly metabolizes ethanol and it's difficult to raise blood alcohol levels through inhalation, according to an RFA-sponsored study by Sarah Armstrong of Cambridge Environmental in Massachusetts.

People show no adverse symptoms when ethanol in the air is below 1,000 parts per million — the federal standard for people who work around the vapors. At higher exposures, the vapor causes eye and upper respiratory tract irritation, fatigue, headache and sleepiness, Armstrong reported. Problems at the Gopher State Ethanol plant in St. Paul have

help cities meet clean air requirements without the dangers of MTBE," said Trevor Guthmiller, executive director of the Sioux Falls, S.D.-based American Coalition for Ethanol.

The implications are tremendous for the ethanol industry. "If MTBE is banned nationally, then the ethanol industry could double or triple in size in the next two to three years," Shaw said.

Although the Clinton administration a year ago announced a plan to promote ethanol and reduce or eliminate MTBE, Morris said he believes a national ban is unlikely under a president from oil-rich Texas.

The reason ethanol already hasn't usurped MTBE as the No. 1 oxygenate in gasoline probably has more to do with the interests of oil companies than the interests of consumers, Shaw said.


"Why would they want to displace their product with a product they have to pay for?" he asked, noting that MTBE is a derivative of oil.

As a result of MTBE worries, oil companies are lobbying for the government to replace its oxygenate rule with a performance standard that simply lays out emissions requirements.

"The oil companies don't want to be forced to use ethanol," Morris said. "They don't want to share their gas tank with an alternative fuel."

The economic impact in these small communities has been extraordinary.

— Ralph Groschen, senior marketing specialist, Minnesota Department of Agriculture



Just the Facts

The St. Paul ethanol plant is a \$4.5 billion investment in the local economy. It creates jobs and provides a market for more than 600 million bushels of U.S. corn. The plant is a testament to the power of agriculture and the importance of ethanol in our economy.

nine months of public complaints about odor, noise and medical problems, St. Paul sued the plant under the city's public nuisance ordinance in February.

Residents blamed a variety of health problems — including nausea, skin and eye irritation, headaches, asthmatic complications and sleep deprivation — on the plant's emissions, according to a report by St. Paul City Attorney Clayton Robinson.

But even in St. Paul, the No. 1 issue has been the odor that comes from drying the distillers grain, a byproduct used as livestock feed.

"That's a very odorous process," said Rhonda Land, a pollution control specialist at the Minnesota Pollution Control Agency. "Most of our ethanol plants have had some complaints about odor from that process."

Building plants in appropriate places is perhaps the best way to limit odor complaints, Land said, acknowledging that in hindsight most people probably would say approving an ethanol plant in a heavily populated area such as St. Paul wasn't a good idea.

Agricultural boost

As the third-largest use of corn behind feed and exports, ethanol provides a market for more than 600 million bushels of U.S. corn and adds \$4.5 billion in farm revenue annually, according to the RFA.

About 90 percent of domestic ethanol — also known as grain alcohol — is made from corn, the NCSE study showed. Corn is used

because it's a relatively cheap source of starch that can be converted to simple sugars, fermented and distilled.

The added demand created by the ethanol market raises the average price of corn by 25 to 30 cents a bushel, according to the U.S. Department of Agriculture. The exact impact depends upon the corn supply and other market factors.

Much of the recent growth in the ethanol industry has come from farmer-owned cooperative plants, although none of the seven plants proposed in Wisconsin have that structure. In Minnesota, where 12 plants are co-ops, that model has been extremely successful and popular among farmers.

"The whole goal of the co-op movement was to get money back to the farmers, and so far it's working," said Ralph Groschen, senior marketing specialist with the Minnesota Department of Agriculture. "In general, they're all profitable, and farmers are receiving cash back from their investment."

The co-ops give corn growers a financial stake in the process-

ing of their product and thus increase their potential income. The cost of corn typically accounts for 65 percent of an ethanol plant's operating costs, Guthmiller said.

"It essentially provides a hedge," Guthmiller said. "When prices are high, farmers can make a profit from their corn, and when prices are low, they make more profit from making ethanol."

Farmers have learned it's hard to make a living by selling a basic commodity on the world market and then having to buy back finished goods, Morris said.

"You can't sell corn and buy back bread and Corn Flakes and somehow make it," Morris said.

"You have to sell to higher markets and ideally be able to own part of the manufacturing facility."

A side benefit is that the major byproduct of corn-based ethanol production is distiller's grain, a high-protein livestock feed that's particularly popular among dairy farmers. Distillers grain can generate about a third of a plant's income.

Many ethanol plants also capture and sell carbon dioxide generated by the manufacturing process. The gas is used for refrigeration, carbonation in soda and other applications.

The 10 percent of U.S. ethanol production not derived from corn comes mostly from grain sorghum, barley, wheat, cheese whey and potatoes.

While the proposed ethanol plants in Menomonic and Stanley would use corn, the small new plants in Plover and Spring Green use cheese whey, potatoes and other agricultural products.

With the United States importing 54 percent of its petroleum — the highest share ever — and the domestic refining industry operating at full capacity to meet growing demand, supporters see ethanol as a logical home-grown alternative.

They argued that more ethanol usage would reduce U.S. reliance on oil imports, making the country less vulnerable to the type of fuel embargo that occurred in the 1970s.

Last year's record rise in gas prices was attributed in part to a broken pipeline and a refinery fire.

"That shows how tight the refining and distribution network is and how any blip can have an enormous impact on the pocketbooks of consumers," Shaw said.

A relatively easy solution, he said, would be to make all gasoline 10 percent ethanol, a move that immediately would expand the volume of the domestic fuel market by 10 percent and help reduce the nation's dependence on foreign oil.

"You would have seen \$3-a-gallon gas if ethanol had been taken out of the equation in the Midwest last year," Shaw said.

Concerns about a potential repeat of last summer, when pump prices in parts of Wisconsin and Illinois were as much as 65 cents a gallon higher than the national average, prompted the federal government to loosen its standards for reformulated gasoline.

The Environmental Protection Agency last week unveiled plans to give refiners more flexibility in meeting pollution standards, essentially by relaxing the restrictions on volatile organic compounds in exchange for giving ethanol credit for reducing carbon monoxide emissions.

The change is seen as a boost for the ethanol industry because it would make it cheaper for refiners to blend gas with ethanol and easier for areas to switch from MTBE to ethanol.

Engine performance

When ethanol first became widely available after the energy crisis of the late 1970s, it caused engine troubles for some cars — a problem that created a negative perception that lingers among some consumers.

The Minnesota Department of Agriculture tackled that image problem head-on by setting up a hotline for consumer complaints when the state launched its ethanol incentive program in the 1980s. Even in the early days, department investigators found that ethanol rarely was the cause of the cited problems, and now the hotline receives only about one call every two or three weeks, Groschen said.

Ethanol-related engine problems are almost nonexistent today because automakers have made design changes to make automobiles compatible with ethanol, the REA indicated. In fact, the high-octane fuel is capable of cleaning fuel injection systems, protecting against gas-line freeze-up and reducing pre-ignition and dieseling.

The association reported that today every vehicle and nearly all small-engine motors marketed in the United States are approved for using gasoline blended with up to 10 percent ethanol.

When Henry Ford designed his Model T to run on ethanol in 1908, he proclaimed it the fuel of the future.

It hasn't exactly turned out as the inventor envisioned, but nearly a century later the fuel — now used almost exclusively as a gasoline additive to reduce harmful automobile emissions and improve octane ratings — is on a roll.

While ethanol still accounts for only about 1.2 percent of the 120 billion gallons of gas used annually in the United States, domestic ethanol production is in the midst of a major growth spurt. Production expanded ninefold from 175 million gallons in 1980 to a record 1.6 billion gallons in 2000.

In just the past year, 11 new ethanol plants opened and six existing plants completed major expansions, adding 226 million gallons of annual production capacity. And the momentum doesn't appear to be slowing down, with new plants being proposed in dozens of sites — including Menominee and Stanley — in the next few years, according to the Renewable Fuels Association, a Washington, D.C.-based trade association for ethanol producers.

So what's behind the soaring demand for ethanol a clear

colorless alcohol that people have been making since ancient times?

The surge resulted from several factors: concerns about the environment; high gas prices; dependency on foreign oil; and recent revelations about ground water contamination by methyl tertiary butyl ether, said RFA spokesman Monte Shaw.

MTBE is ethanol's primary competitor as a gasoline additive aimed to reduce pollution from automobiles.

The industry also has been helped by the willingness of states to provide millions of dollars in incentives to ethanol producers as a way of propping up struggling grain farmers. Ethanol consumes 6 percent of the nation's corn crop.

With demand at a record high and growing, Mr. Shaw brushed aside the suggestion that such rapid growth might lead to a shakeout in the fledgling industry.

"Our industry is more worried about not being able to grow fast enough than we are about growing too fast," he said. "The long-term trends just look overwhelmingly positive for ethanol."

Despite the momentum, the

industry has received some criticism, mostly focusing on the smell emanating from the plants, the potential health problems from emissions and the cost to taxpayers of the subsidies.

Government support

The ethanol market is almost entirely a result of state and federal subsidies and regulations, according to an analysis last year by the National Council for Science and the Environment.

The federal ethanol program encourages gasoline marketers and blenders to use ethanol by making them eligible for a reduction of up to 5.3 cents per gallon on the federal excise tax on gasoline, which is 18.3 cents per gallon.

Several states, particularly those in the Corn Belt, also have their own incentive programs. Wisconsin and Minnesota, for instance, offer cash payments of 20 cents per gallon to ethanol plants for a portion of their production.

These tax-funded breaks help make ethanol more competitive with conventional gas, which generally is cheaper to produce.

After being denatured, or made unfit for human consumption, ethanol generally is blended at up to 10 percent with gasoline when used for fuel. The mixture sometimes is called gasohol.

But critics have questioned the appropriateness of an

the appropriateness of an industry that's completely dependent on what they call corporate welfare, especially when production is concentrated among a few large producers and the industry is a major contributor to political campaigns.

The top 10 companies account for about 82 percent of U.S. ethanol production capacity, the NCSSE report indicated.

Archer Daniels Midland, for instance, is the nation's No. 1 ethanol producer and also one of the largest sources of unregulated campaign contributions to the national political parties, said Jay Heck, executive director of Common Cause in Wisconsin.

"That sure has the appearance of a quid pro quo," Mr. Heck said. "Absent those soft money contributions, I think what you would find is that ethanol and Big Oil would battle it out based on evidence and studies. That's how public policy ought to be decided, not on the basis of political contributions."

Environmental impact

The Clean Air Act requires that ethanol or another so-called oxygenate be mixed with gas in areas such as Chicago and Milwaukee with excessive

Ethanol contains 35 percent oxygen, and the additional oxygen content results in more complete combustion in automobile engines, thus reducing harmful tailpipe emissions, according to the RFA. Overall, the use of grain-based ethanol reduces greenhouse emissions by 35 to 46 percent compared with conventional gasoline.

"Ethanol is the safest component in gasoline today," Mr. Shaw said, noting that it is rapidly biodegradable in surface water, ground water and soil.

Still, ethanol's environmental slate isn't unblemished.

While the use of ethanol generally improves air

quality, it increases the release of other pollutants, according to a study by the U.S.

Department of Energy's Argonne National Laboratory.

The research

showed fuel ethanol leads to increased levels of toxins called aldehydes and peroxyacyl nitrates. Those substances, called PAN, are highly toxic to plants and strong eye irritants.